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SESSION 1933
HOUSE OF COMMONS

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SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, FEBRUARY 28, 1933

No. 1

Reference,—Milk and Milk Products

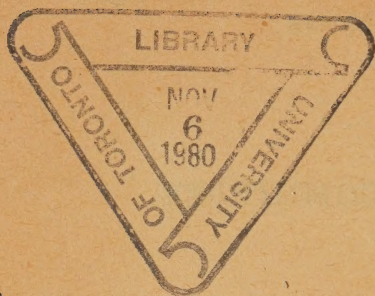
WITNESSES:

J. F. Singleton, dairy commissioner, Department of Agriculture.

Dr. J. F. Booth, commissioner of economics, Department of Agriculture.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933





ORDER OF REFERENCE

THURSDAY, February 23, 1933.

Ordered,—That the Select Standing Committee on Agriculture and Colonization be instructed to ascertain the facts connected with the production, collection, manufacture, distribution and marketing of milk and milk products throughout the Dominion of Canada, with power to examine and inquire into all aspects of the said questions and report their findings to the House.

Attest.

ARTHUR BEAUCHESNE,
Clerk of the House.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

TUESDAY, February 28, 1933.

The meeting came to order at 11 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Blair, Bouchard, Bowen, Boyes, Brown, Carmichael, Cayley, Donnelly, Gobeil, Goulet, Hall, Jones, Loucks, Lucas, McGillis, Mackenzie, Moore, Motherwell, Mullins, Myres, Perley, Pickel, Porteous, Seguin, Senn, Shaver, Simpson, Smith, Sproule, Stirling, Taylor, Thompson, Totzke, Tummon, Weir (*Macdonald*), Wilson, Young.

The clerk read the Order of Reference.

The chairman brought into discussion the question of procedure and the limitations and scope of the enquiry advisable to be adopted.

The expressed sense of the meeting was, that due to the limited time at its disposal it would be advisable to confine the enquiry to the "spread on prices of whole milk."

On motion of Mr. Pickel it was decided to first carry on the investigation with respect to the milk situation in the city and district of Montreal.

On motion of Mr. Wilson a sub-committee was appointed to prepare a slate of witnesses and submit an agenda; the sub-committee to consist of Messrs. Tummon, Cayley, Bertrand, Loucks and Pickel, with power to add to its number.

The chairman was instructed to report to the House for leave to print the day to day proceedings and evidence of the committee.

Mr. J. F. Singleton, dairy commissioner, and Dr. J. F. Booth, commissioner of agricultural economics, Department of Agriculture, addressed the meeting on the subject of the Order of Reference.

The meeting adjourned till Thursday, March second at 10.30 a.m.

A. A. FRASER,
Clerk of the Committee

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

FEBRUARY 28, 1933.

The Select Standing Committee on Agriculture and Colonization met at 11 o'clock, Mr. Senn presiding.

The CHAIRMAN: Gentlemen, please come to order. First, I will ask the clerk to read the order of reference.

(The clerk reads the order of reference.)

Gentlemen, I think those of you who are at all familiar with the dairy industry will realize at the outset that we have a very large undertaking on our hands. In fact, it seems to me that there is so much involved in this that with the limited time at our disposal until the close of the session it is going to be very difficult to make a complete inquiry into all the phases of the dairy industry. My own idea, if it will meet with your approval, is that it might be better if we undertook an inquiry into some specific phase of the situation. If we are going to deal with the production, collection, manufacturing, distribution and marketing of milk and milk products it is going to take a considerable time. I might say that the province of Quebec has had a commission investigating this very matter. It began its work in August of 1931 and did not complete it until November, 1932. So that to ask this committee to enter into a thorough investigation of all these matters throughout Canada is something I am afraid we will not be able to complete in our limited time. However, I am just throwing that out as a suggestion to the committee. I might say that I have already received letters from people in different parts of the dominion, and the anxiety which is expressed in all these letters is more in regard to the spread in prices of whole milk than in any other matter. I am going to suggest to the committee that possibly it might be well to confine our investigation to some particular phase such as whole milk. That is one point that we might settle right away, as to the scope of the enquiry and the procedure of this committee.

(Discussion follows.)

The CHAIRMAN: Now, if the committee is ready we will hear Mr. Singleton.

Mr. J. F. SINGLETON, Dominion Dairy Commissioner, called.

Mr. Chairman and gentlemen, I presume, since your terms of reference cover the whole field of dairying in Canada, that your chairman asked me to come this morning to make a general statement regarding the dairy situation, and in particular with reference to the distribution of milk, and with reference to the production of milk and the manufacture of different dairy products, as well as milk distribution.

Reference to the number of cows might in the first place be quite in order. For some years past the number of milch cows in Canada has been decreasing. I don't propose to give you a lot of statistics in this connection, but in 1927 it was reported that the number of milch cows was 3,833,229; in 1931 that had dropped to 3,513,000.

Milk production: The total production of milk has, over a term of years, shown a constant tendency to increase. In the past decade, that is, from 1920 to 1930 the number of milch cows, in milk or in calf in Canada increased by 10.7 per cent. The human population has increased more rapidly than the number of cows. The number of cows per thousand of population was 378 in 1931 as compared with 370 in 1930; a decrease of 2.12 per cent. The average production of milk per cow had increased with the result that, notwithstanding the decrease in the number of cows in proportion to population, the total milk production increased from 1,249 pounds per capita in 1920 to about 1,500 pounds per capita in 1928; an increase of 20 per cent.

Now, there have been certain definite trends in the industry during the past number of years. The first is a definite increase in milk production. Next, there has been an increase in the production of different products as affected by domestic requirements, and by the relative returns to primary producers from the different products. There have been increased domestic consumptive requirements of milk, and of all important milk products, which has had the effect of decreasing the exportable surplus.

Now, I have a table here that shows the total milk production for 1900, 1910, 1920 and 1930; and the disposition of that milk. Between 1900 and 1930 the milk production of Canada more than doubled. For a hundred pounds of milk we produced in 1900, we produced 215 pounds in 1930. The total quantity of milk produced in 1930 was 14,759,000,000 pounds. Now, in 1900, 62 per cent of the total milk production of Canada was consumed in the form of different dairy products; as milk, cream, butter, cheese, ice cream, and so on; and it left 37.4 per cent of the total milk production available for export in the form of dairy products. In 1910 notwithstanding that the production of milk had increased from 6,864,000,000 pounds to 9,806,000,000 the domestic consumptive requirements took 72.9 per cent of the total milk production leaving only 27.1 available for export. In 1920 the domestic requirement took 79.8 per cent of the total milk production leaving 20.2 per cent available for export; and in 1930 (adjusting these figures, take care of the butter imported into Canada) that is, had we not imported any butter in 1930, and had we converted sufficient milk into butter which went out in the form of other products, cheese or condensed or evaporated or dried milk, which went to supply our requirements in 1930, we would have consumed 97.3 per cent of the total milk produced in Canada and would only leave 2.7 per cent available for export in the form of different products. Actually we exported more than 2.7 per cent because we imported a considerable quantity of butter, and that released a greater quantity to other dairy products for export than we would have had released had we not imported butter.

With reference to increased consumption. The consumption of milk products has more than doubled in the last decade. Now, the consumption of milk is undoubtedly off in 1932 as compared with 1931. In 1930 we were consuming 1.18 pints per capita per day and that indicates an increase of more than 100 per cent in ten years. Butter consumption per capita: Butter consumption was 25.79 pounds per annum in 1921 as compared with 30.44 pounds in 1930. Consumption of cheese went up from 2.51 pounds to 3.6 pounds between 1921 and 1930. The increase in the consumption of cheese has, to a great extent, been due to the development of processed cheese and the sale of that product in small packages. The consumption of ice cream has increased from 4.96 pounds per capita to 7.16 pounds in 1930, as compared with that of 1921 in each case.

Now, there has been through all these commodities a general increase in the per capita consumption. We have also had an increase in our population, and that has meant a tremendous increase in the domestic requirements for dairy products. The greatest change in the trend of manufacturing dairy products has been in the manufacture of butter. In 1930 we made about 36,000,000 pounds of butter in Canada, 36,066,739 pounds; in 1931 the manu-

facture of creamery butter amounted to 225,802,635 pounds an increase of 526·07 per cent in the production of butter in that thirty years in this country. It has been generally believed that the great increase in the production of creamery butter has been largely at the expense of the manufacture of butter on the farm, but that is not the case because dairy butter, butter made on the farm, is only about 9,000,000 pounds less in 1930 than what it was in 1900; that is, we have had a decrease in the first thirty years of this century of about 9,000,000 pounds in the manufacture of butter made on the farm, and an increase of about 190,000,000 pounds in the quantity of butter made in the creamery. There has been a considerable increase in the production of ice cream and in the production of condensed, evaporated and dried milk products, which began about 1900, prior to which there was only one plant equipped to manufacture condensed milk, that was at Truro, Nova Scotia; the first to be established in Canada. The second condensery was established at Ingersoll in the year 1900.

As the demand for milk for domestic consumption and for the manufacture of butter increased more rapidly than milk production increased, milk was diverted from the manufacture of cheese, particularly in the provinces of Ontario and Quebec, and these two provinces make about 96 per cent of the cheese produced in Canada. Canadian cheese production is now about one-half of what it was at the peak of production. The greatest annual production of cheese was in the year 1903. Now, there were no government statistics of production at that time, but for the year ending June, 1904, we exported about 243,000,000 pounds of cheese, and we must undoubtedly have consumed sufficient out of that year's make to bring the total make of cheese for the year up to 250,000,000 pounds. Last year (I refer to 1931 figures), it was down to 110,000,000 pounds; and it was slightly more than that last year, probably 118,000,000 to 120,000,000 pounds. The price of cheese has kept up, butter production on the other hand has fallen off in 1932 as compared with 1931 slightly less than 225,000,000 pounds produced in 1931.

Now, had our consumption of milk and cream, butter; concentrated milks and ice cream remained the same as it was in 1920; that is, had we not increased our domestic consumption of dairy products in the past ten years, and had we increased our milk production the way we did, and had that increase all gone into cheese we would have had about 5,000,000 pounds more cheese to export than we did; and had we put it all into butter we would have had about 240,000,000 pounds more butter. So that it has been a fortunate thing for the dairy business generally that the domestic consumption of dairy products in Canada has shown such a decided increase.

Now, the total quantity produced in Canada in 1930, which is the last year for which we have official figures (the official figures for 1931 not yet having been released by the Bureau of Statistics), of the total milk production 9·03 per cent went into factory made cheese; ·037 per cent went into home made cheese, or cheese made on the farm; or a total of 9·075 which went into the manufacture of cheese. Creamery butter took care of 29·4 per cent of the total milk production of Canada; dairy butter 15·3—that is, 44·76 per cent of the total milk produced in Canada in 1930 went into butter, almost half of the milk produced in Canada. Then, other items took small quantities. Ice cream takes only 1·03 per cent of the milk produced in Canada; exported milk ·104 per cent; milk for direct consumption or otherwise used 42·67 per cent.

We have about 44 $\frac{3}{4}$ per cent of the total milk product going into butter, 42 $\frac{1}{2}$ per cent of milk and cream for direct consumption and about 9 per cent into cheese.

The CHAIRMAN: You might hand these tables in to the reporter.

The WITNESS: Yes, sir; I have complete sets. Now, that covers the development of the industry very briefly during the major development in the past thirty years.

By Mr. Bouchard:

Q. Will you tell us if the proportion of fat has increased?—A. The percentage of fat? Yes, it is said there is a slight increase, but such increases are very slow.

By Mr. Porteous:

Q. Have you the comparative consumption per capita of sweet milk produced during that period?—A. These are all sweet milk products.

Q. I mean other than butter and cheese, condensed milk and so forth?—A. I do not follow you.

Q. Have you the comparative consumption per capita, whether or not due to certain regulations and requirements—the consumption of sweet milk products per capita as increased during that period?

The CHAIRMAN: Do you mean in fluid form?

Mr. PORTEOUS: Yes.

The WITNESS: I do not know what you mean by sweet milk products. Define that definitely.

Mr. PORTEOUS: Whole milk and cream.

The WITNESS: Yes. In 1921 the consumption was about one-half pint per capita per day; 1924, three-quarters of a pint per day; 1927, about a pint; 1928, 1.12 pints; 1929, 1.12; 1930, 1.18 pints per capita per day.

By Hon. Mr. Motherwell:

Q. That accounts for the shortage of other dairy products; it is more than doubled?—A. Yes; that and the increase in production of creamery butter.

By the Chairman:

Q. Would that include ice cream?—A. No, sir, the ice cream consumption was 4.96 pints in 1921; 5.20 pints in 1922; 4.96 in 1925; 5.85 in 1927, and 7.16 in 1930.

By Hon. Mr. Motherwell:

Q. How does that consumption per capita in Canada compare with other countries in the British Commonwealth?—A. It would be considerably in excess, although Australia and New Zealand do eat more butter per capita than Canada; but the milk business in New Zealand is not nearly so well organized as it is in Canada, apart from the city of Wellington which has a municipal supply—a dairy owned and operated by the city and a most up-to-date plant.

By the Chairman:

Q. You must make allowance for the milk that is consumed on the farm in that estimate?—A. In the consumption per capita?

Q. Yes.—A. That rate per capita per day is based largely upon the consumption in the principle cities, but is extended to the country; it is assumed that people in the country will consume as much milk per capita as in the city.

By Mr. Perley:

Q. Is that traceable to the prices in the big cities?—A. No, it is due largely to the more general knowledge of the nutritive and dietetic value of milk and milk products. The Department of Agriculture and other agencies such as the National Dairy Council have been instrumental in recent years in getting information to the public regarding the nutritive value of milk and milk products, and there has been a steady increase in the per capita consumption

of practically all commodities until this year. Now, what the final figure will be this year nobody knows, but we do know that there has been a decided decrease in the percentage of butter since September. For the first eight months of this year the consumption of butter kept up well as compared with other years. For the whole calendar year 1931, notwithstanding the depression, we consumed 313,000,000 pounds of butter in Canada. That was the greatest quantity ever consumed in one year in the country. But this falls off about a million pounds per month since September.

Q. Have you any information as to what the consumer in Wellington, New Zealand, pays?—A. I have some information as to costs a year ago when I saw the plant, but notwithstanding that I suppose that only 50 per cent of the milk used in the city is from the municipal plant. Probably 50 per cent of the milk used in Wellington is raw milk from non tuberculin tested cows. There is no compulsory tuberculin test. If milk is not pasteurized in Canada, in most of the municipalities it is required that the milk be from non reacting tuberculin tested cows. That is the case in Ottawa; it is not the case in Wellington.

By Mr. Porteous:

Q. In your opinion would you attribute any of that increase to our more sanitary methods in handling milk?—A. Undoubtedly, that has had an influence. People are getting better milk.

By Mr. Boyes:

Q. In your opinion, in those cities where they have a compulsory pasteurizing by-law is the consumption of milk greater than it would be, say, in the city of Ottawa or Montreal where they have not such a law?—A. Ottawa is possibly one of the greatest milk consuming cities in the country, and pasteurization is not compulsory here, although, probably, 95 or 96 per cent of the milk consumed in Ottawa is pasteurized. Ottawa, between the years 1930 and 1931 increased its per capita consumption of milk in the one year by .14 pints per day.

The CHAIRMAN: Now, gentlemen, have you finished with Mr. Singleton?

The WITNESS: Mr. Bouchard asked me a question. I think that as this is largely a question of economy that Dr. Booth might better undertake to answer that question.

By Mr. Porteous:

Q. With regard to one question that Mr. Boyes brought up, there are some municipalities where the by-laws requires pasteurized milk?—A. All pasteurized, yes.

Q. Have you any idea what the consumption per capita in those municipalities is as compared to those municipalities which do not require pasteurized milk exclusively?—A. I could not very well attempt to answer that. Toronto, I believe, requires all the milk to be pasteurized. I doubt if Toronto's consumption is as large per capita as that of Ottawa where all the milk is not required to be pasteurized, although, in practice, a great part of it has been pasteurized in Ottawa.

The CHAIRMAN: Gentlemen, the thanks of this committee are due to Mr. Singleton for his fine statement. Now, we have with us this morning Dr. Booth, commissioner of Agricultural Economics. I think he will give you some information which is worth while as to the activities of the department in his particular line of work. Mr. Singleton has promised to give his statement to the reporter.

Mr. Singleton's statement:

NUMBER OF COWS AND MILK PRODUCTION

During the past decade the number of cows in milk, or in calf, in Canada increased by 10·7 per cent but the population of Canada during the same time increased by 13·1 per cent. The number of cows per 1,000 of population was 378 in 1921 as compared with 370 in 1930, a decrease of 2·12 per cent. Average milk production per cow increased during the interval with the result that notwithstanding the decrease in the number of cows in proportion to population, total milk production increased from 1,249 pounds per capita in 1920 to about 1,500 pounds per capita in 1928, an increase of 20 per cent. The more rapid development of the industry during recent years is demonstrated by the fact that, while total milk production increased by 11·9 per cent between 1910 and 1920, the increase between 1920 and 1923 amounted to 30 per cent.

A brief sketch of some of the more important developments in the industry during recent years will probably be of interest and will assist in a clearer view of present conditions. These more important developments may be summarized as:—

- (a) increased milk production;
- (b) increased production of different products as dictated by domestic requirements and by relative returns to primary producers;
- (c) increased domestic consumptive requirements of milk and of all important milk products;
- (d) a consequent decrease in the exportable surplus of dairy products.

The following table (No. 1), shows the total milk production of Canada as reported in the census returns for the years 1900, 1910, 1920 and 1930, and the disposition of the total production, as between the domestic consumption and the exports of different dairy products, expressed in terms of pounds of milk:—

TABLE No. 1

MILK PRODUCTION AND CONSUMPTION AND EXPORT OF DAIRY PRODUCTS EXPRESSED AS POUNDS OF MILK

Year	Production Lbs.	Consumption Lbs.	Per Cent Consumed	Exports Lbs.	Per Cent Exported
1900.....	6,864,909,400	4,288,119,043	62·4	2,576,790,356	37·6
1910.....	9,806,741,348	7,159,638,387	72·9	2,647,102,961	27·1
1920.....	10,976,235,351	8,761,575,744	79·8	2,214,659,607	20·2
1930.....	14,759,657,000	14,365,547,112	97·3	*394,109,888	*2·7

*Adjusted to allow for day products imported.

Total milk production increased by 115 per cent during the three decades but the increase in the last decade was almost as great as during the first two. Domestic consumptive requirements have so increased that the surplus available for export in the form of different products decreased from 37·6 per cent in 1900 to 2·7 per cent in 1930. Actually more than 2·7 per cent of our total milk production during 1930 was exported in the form of different dairy products, but had we supplied our total domestic requirements and not imported any dairy products, only 2·7 per cent of our total milk production would have been available for export in the form of different dairy products.

Table No. 2 below shows the per capita consumption of milk and some milk products together with the population of Canada during the years 1921 to 1931 inclusive:—

TABLE No. 2
PER CAPITA CONSUMPTION OF DAIRY PRODUCTS IN CANADA
(Yearly except Milk)

Year	Milk Per Day Pints	Butter Lbs.	Cheese Lbs.	Ice Cream Pints	Population
1921.....	.51	25.79	2.51	4.96	8,788,483
1922.....	.50	26.14	3.03	5.20	8,909,000
1923.....	.77	27.57	3.15	4.97	9,028,000
1924.....	.75	27.21	3.19	4.70	9,151,000
1925.....	.74	27.36	3.13	4.96	9,269,000
1926.....	.89	28.44	4.04	5.6	9,390,000
1927.....	1.0	28.72	3.38	5.85	9,519,000
1928.....	1.12	28.54	3.57	7.04	9,833,000
1929.....	1.12	29.26	3.47	6.94	10,027,000
1930.....	1.18	30.44	3.60	7.16	10,206,000

The increase in domestic consumption of dairy products has been due not only to a more general knowledge of the value of dairy products as foods, but also of their value as aids to health and as preventive of deficiency diseases. The Milk Utilization Service of the Dairy and Cold Storage Branch has been a most important factor in the dissemination of such information and of information concerning methods of using different dairy products.

There has been a considerable increase in the production of creamery butter in all provinces between 1900 and 1931 as is indicated by Table No. 3.

TABLE No. 3
PRODUCTION OF CREAMERY BUTTER

Province	1900 Lbs.	1931 Lbs.	Per Cent Increase
P. E. Island.....	562,220	2,041,136	263.05
Nova Scotia.....	334,211	5,867,920	1,655.75
New Brunswick.....	287,814	2,438,677	747.31
Quebec.....	24,625,000	69,653,540	182.86
Ontario.....	7,559,542	77,366,710	923.43
Manitoba.....	1,557,010	21,078,073	1,253.75
Saskatchewan.....		18,960,352	
Alberta.....	745,134	22,957,922	5,525.6
British Columbia.....	395,808	5,438,305	1,273.97
All Canada.....	36,066,739	225,802,635	526.07

Contrary to common belief, the increase in the production of creamery butter has not to any great extent, been due to diversion from the manufacture of dairy butter. Production of dairy butter during 1900 amounted to 105,343,076 pounds as compared with 96,500,000 pounds during 1931, a decrease of only 8,843,076 pounds, whereas during the same period, production of creamery butter increased by almost 190,000,000 pounds.

There has also been a considerable increase in production of ice cream, and the production of condensed, evaporated and dried milks, now an important branch of the industry, was practically non-existent at the beginning of the century. Prior to 1900 there was only one small condensery in Canada.

As the demand for milk for the purposes already mentioned increased more rapidly than milk production increased, milk was withdrawn from the manufacture of cheese particularly in Ontario and Quebec, which provinces produce about 96 per cent of the cheese produced in Canada. Canadian cheese production is now less than one-half of what it was at the peak of production which was early in the century, and exports of cheese have decreased not only as a result of decreased production but also as a result of increasing annual per capita consumption by an increasing population.

Had domestic consumption of milk and cream, and the Canadian output of butter, concentrated milks and ice cream remained the same as at 1920, the milk produced in Canada in 1930 would have been sufficient to produce about 240 million pounds more butter or 500 million pounds more cheese than was actually made.

The following table (No. 4), shows the total dairy production of Canada during 1930, the pounds of milk and fat equivalent required for each product and the percentage of the total milk production required for the manufacture of each product:—

TABLE No. 4
TOTAL CANADIAN DAIRY PRODUCTION, 1930

Product	Quantity	Milk Used	Fat Equivalent	Per Cent of Total
	Lbs.	Lbs.	Lbs.	
Cheese, Factory Made.....	119,105,203	1,333,978,273	46,689,239	9.038
Cheese, Home Made.....	482,900	5,408,480	189,296	0.037
Creamery Butter.....	185,751,061	4,348,432,338	152,195,131	29.462
Dairy Butter.....	96,500,000	2,259,065,000	79,067,275	15.305
Whey Butter.....	1,397,513	Nil—By Product	Nil	
Condensed Milk.....	23,360,455	53,261,837	1,864,164	0.362
Condensed Skimmilk.....	9,141,840	Nil—By Product	Nil	
Condensed Buttermilk.....	777,889	Nil—By Product	Nil	
Evaporated Milk.....	57,630,875	127,940,542	4,477,918	0.860
Evaporated Skimmilk.....	17,923	Nil—By Product	Nil	
Whole Milk Powder.....	2,354,222	17,468,327	611,391	0.119
Skimmilk Powder.....	14,307,056	Nil—By Product	Nil	
Cream Powder.....	90,134	1,802,680	63,093	0.013
Buttermilk Powder.....	687,297	Nil—By Product	Nil	
Lactose.....	204,613	Nil—By Product	Nil	
Condensed Coffee.....	200,394	444,874	15,570	0.003
Casein.....	1,095,960	Nil—By Product	Nil	
Ice Cream (gals.).....	9,708,163	152,515,240	5,338,033	1.034
Milk Exported.....	15,198,865	15,198,865	531,960	0.104
Cream Exported.....	12,697,210	145,110,971	5,078,884	0.984
Buttermilk Sold.....		Nil—By Product	Nil	
Sundry (Skimmilk and Whey Sold).....		Nil—By Product	Nil	
Milk for direct consumption or otherwise used.....	6,299,029,573	6,299,029,573	220,466,001	42.679
Total.....		14,759,657,000	516,587,955	100.000

It will be observed that the manufacture of butter (creamery and dairy), accounted for 44.767 per cent of total milk production while demand for milk for direct consumption required 42.679 per cent of the total. These two outlets combined provided markets for more than 87 per cent of the total milk production of Canada during the year 1930.

PRODUCTION OF BUTTER DURING 1931-1932

Production of creamery butter during 1931, for reasons which will be referred to later, showed the greatest increase of any year since the manufacture of creamery butter was undertaken in Canada. The increase in production during 1931 as compared with 1930 amounted to more than 40 million pounds or 21.5 per cent. In view of this phenomenal increase in production, it is not surprising that production for 1932 was slightly less than in 1931, particularly if the relationship between the prices of cheese and butter, which will also be referred to later, is taken into consideration.

Information as to total production during the calendar year 1932 is not yet available but for the eleven months ending November, there was a decrease of 9,127,992 pounds equivalent to 4.4 per cent as compared with the corresponding eleven months of 1931.

Dr. J. F. BOOTH, called.

WITNESS: Mr. Chairman and gentlemen, I have prepared a short statement of a general nature which I would like to read with the permission of the committee.

The CHAIRMAN: Certainly.

WITNESS: It deals with the spreads in the marketing of farm products, with particular reference to milk and milk products.

A Memorandum on Spreads in the Marketing of Farm Products With Particular Reference to Milk and Milk Products by J. F. Booth, Commissioner, Economics Branch, Dominion Department of Agriculture, Ottawa.

The spread between the retail prices of farm products and the prices received by farmers has been the subject of much discussion and some study. Data obtained by Cornell University representing prices and spreads in New York State may be in interest in this connection. It is probable that they are fairly typical of what one would find of a similar study conducted in Canada.

TABLE 1
PERCENTAGE OF RETAIL PRICES RECEIVED BY FARMERS

	1910-14	1917	1927
Beef.....	52	57	42
Pork.....	51	59	38
Milk.....	38	48	37
Butter.....	78	85	79
Hens.....	56	58	55
Eggs.....	70	76	64
Wheat Flour.....	52	59	44
Wheat Bread.....	23*	36	21
Corn-meal.....	39	43	27
Potatoes.....	60	74	58
Weighted Average.....	51	59	45

*1913-14.

Ref., Journal of Farm Economics, January, 1928, Cornell University, N.Y.

Farmers received 45 per cent of the retail prices of farm products in New York State in 1927. The extreme range was from 21 per cent in the case of wheat bread to 79 per cent in the case of butter. For milk farmers received 37 per cent of the retail price. Between 1914 and 1927 there was a decline of 6 per cent in percentage returned to producers. During 1917 when prices were on the uptrend farmers received a larger percentage of the consumers' dollar than during periods of stable prices for the reason that distribution costs lag behind the movement of prices. It is probable that farmers now receive a smaller percentage than 1927 for the same reason.

This increase in cost of marketing is more strikingly shown in the comparison of spreads prevailing in the marketing of milk in Montreal as revealed in the report recently presented by the Quebec Provincial Dairy Commission. The average spread between the quoted retail price and reported prices to producers during the five years 1910-14 inclusive was 3.55 cents per quart compared with 5.86 cents for the years 1926-30 and 6.45 cents for 1931.

The results indicated by these and other studies of similar nature suggest the growing importance of the marketing problem and the need for more information on the nature and cost of services performed by marketing agencies. Departments and Colleges of Agriculture through Divisions of Agricultural Economics and Marketing have recognized the importance of this comparatively new field of service and are endeavouring to deal with the situation. The Agricultural Economics Branch of the Dominion Department of Agriculture has made a small start in this direction.

Milk Marketing

In August, 1931, the Economics Branch in co-operation with the Nova Scotia Department of Agriculture and St. Francois Xavier University, undertook a small milk marketing project in the Sydney-Glace Bay area of Cape Breton. This study, though not projected as a cost analysis, dealt with many important angles of the milk marketing problem in a group of small urban centres.

In connection with this study prices for other Canadian cities were obtained. These are submitted in an appendix to the report. A table based upon these data is given herewith. This table represents prices submitted to us in reply to a questionnaire sent to the medical health officer in each city. In this connection it should be observed that in almost every city there are several retail prices and frequently as many prices to producers. In most cities, however, there is a commonly prevailing price to consumers and a contract or basic price paid producers. It is these prices that are given in this comparison.

In one instance the spread exceeded 7 cents per quart, in the case of 15 out of the 32 cities it was between 6 and 7 cents. In 14 cities it was between 5 and 6 cents, and in 2 cities less than 5 cents.

By Mr. Porteous:

Q. How does that compare with the population of cities; are there larger spreads?—A. The largest spread of all is in a city of about 60,000 people. Perhaps if I read some it will give you an idea: Victoria 6.63, Calgary 5.25, Saskatoon 5.80, Moose Jaw 5.85, Brandon 5.88, Winnipeg 6.50, Fort William 6.00.

Q. The population generally does not seem to have any effect upon the spread?—A. For Toronto the spread is 6.38 as reported to us. Montreal is not included in the list, but we have it from the commission as 6.45 in 1931.

By Mr. Jones:

Q. Have you Saint John?—A. Saint John is 7·5.

Q. What about Halifax?—A. We have not included Halifax for the reason that four or five prices were submitted to us that prevailed at different times in a different position and we could not strike an average that we thought was fair.

By Mr. Donnelly:

Q. What about Ottawa?—A. Ottawa, 5·83.

By Mr. Porteous:

Q. And London?—A. 5·75.

Q. There are only two under five cents?—A. Yes, that is right.

Q. What were those two?—A. Shawinigan Falls and Three Rivers.

Mr. CAYLEY: That is the price per quart.

The WITNESS: Yes.

Mr. BOUCHARD: What is the percentage between what the consumer pays and the farmer gets?

WITNESS: Roughly it appears to be around 40 per cent. The producer appears to get roughly around 40 per cent of what the consumer pays. That is a very rough appraisal as I look over the list.

It is only fair to observe that the actual spread or margin obtained by distributors may be less than that obtained by comparisons based only upon retail prices. Some milk is sold at wholesale prices and some at surplus prices. On the other hand, some milk is purchased at prices below established or contract prices. The actual spread found to prevail in Montreal in 1931 was 5·67 cents per quart compared with 6·45 cents found by comparing quoted retail prices and reported prices to producers.

CONSIDER POLICY

In December, 1931, the Honourable Mr. Weir, Federal Minister of Agriculture, asked three members of the staff of his department to meet and to consider what recommendations they might make concerning what should be the policy of the department with reference to the dairying industry of Canada. This committee met several times during January and February, 1932, and during the latter month reported to the Minister.

Among other recommendations was one that, in view of the fact that there was little recent authentic information as to cost of manufacturing dairy products, the Agricultural Economics Branch of the Federal Department of Agriculture should, as soon as possible, undertake a survey of costs of manufacturing cheese and butter in the different provinces and later on a survey of the costs of distribution of milk in cities.

Owing to the press of work in connection with the Imperial Economic Conference, the recommendation was not immediately acted upon. The matter was referred to the Conference of Federal and Provincial Ministers, Deputy Ministers and Heads of Branches and Deans of Colleges, held in Toronto the last days of August and the first day of September, 1932, and a resolution recommending that research in connection with the cost of manufacturing and marketing dairy products be undertaken by the Federal Agricultural Economics Branch in conjunction with the officials of the different Provincial Departments was passed unanimously.

A month later officers of the Provincial Departments of Agriculture of Quebec and Ontario and of the Federal Department of Agriculture met at Ottawa to consider details of a survey of cheese factories in the Provinces of Ontario and Quebec. Arrangements were completed and the work of collecting the information was undertaken by officers of the three Departments of Agriculture and of the Ontario Agricultural College at Guelph.

A total of 250 cheese factories were included in the project.

These factories were visited personally by members of the staff of the different departments and a statement of their cost of production and other details concerning business administration and such like was obtained.

In addition to an analysis of costs it is expected that the study will provide valuable information on management problems, sales policies, methods of financing, cost of hauling milk, returns to cheese makers and so forth. A small staff representing the co-operating departments is now engaged in tabulating and interpreting the data. A preliminary statement on the results of this study will be available in the near future.

CREAMERY OPERATIONS

In the meantime some thought has been given to the creamery situation. A request has been received from the New Brunswick Department of Agriculture for assistance in connection with a study of creamery operations in that province. Arrangements have been completed whereby the Dominion Department represented by the Dairy and Economics Branches will co-operate with the Provincial Dairy Superintendent in a project which is to be started next week.

The scope of this undertaking will not be determined until a preliminary survey of the situation has been made but it is expected that costs of manufacturing butter will be the most important matter considered. The experience gained in the conduct of the project should be of considerable value in connection with more extensive studies that may follow.

MILK.—Spread Between The Prevailing or Common Retail Delivered Price and Contract Prices to Producers for August, 1932.

(Prices starred are paid at the farm or f.o.b. country shipping point, otherwise quotations are f.o.p. city).

City	Retail Price	Price to Producers	Spread
	cents per qt.	cents per qt.	cents per qt.
Victoria ¹	11	4.37	6.63
Calgary.....	9	3.75	5.25
Edmonton.....	9	3.62	5.38
Saskatoon.....	10	4.20	5.80
Moose Jaw.....	10	4.15	5.85
Regina.....	10	3.97	6.03
Brandon.....	9	3.12	5.88
Winnipeg ¹	9	2.50	6.50
Fort William.....	11	5.00	6.00
Port Arthur.....	11	5.25	5.75
Sault St. Marie.....	10	*3.62	6.38
Windsor.....	10	3.44	6.56
Sarnia.....	9	3.23	5.75
London.....	9	*5.25	5.75
Stratford.....	8	2.87	5.13
Kitchener.....	9	3.50	5.50
Guelph.....	10	3.75	6.25
Brantford.....	9	3.50	5.50
Hamilton.....	10	*3.92	6.08
Toronto.....	10	3.62	6.38
St. Catharines.....	10	4.00	6.00
Peterborough.....	9	2.69	6.31
North Bay.....	10	3.75	6.25
Oshawa.....	10	*3.62	6.38
Niagara Falls ¹	10	3.95	6.05
Kingston.....	8	3.00	5.00
Ottawa.....	8	*2.37	5.63
Lachine.....	10	4.12	5.88
Shawinigan Falls.....	6.5	3.00	3.50
Trois Rivières.....	7	3.00	4.00
Saint John.....	12	*4.50	7.50
Moncton.....	10	*3.12	6.88

¹Prevailing prices given for these cities represent the average of several quotations.

That is the extent of the statement I have to make on this subject.

By Mr. Bouchard:

Q. Would you give us your views and suggestions as to how you would conduct this investigation by a committee?—A. Well, Mr. Bouchard, I haven't had enough experience in connection with committee work to suggest how this committee should proceed but—

Q. If you were proceeding yourself with this investigation, how would you arrange matters?—A. If the Department of Agriculture were undertaking this project it would have to be on a voluntary, co-operative basis between the department and the agencies engaged in the distribution. We would select a representative number of firms and agencies handling milk in one or more centres and attempt to obtain their co-operation in providing us with the necessary information that would disclose the conditions of marketing there. I may say that one of the problems that has impressed me is this, that the milk marketing problem is not one problem. If you examine the data I have presented in this table as to the prices prevailing in different cities you will realize, I think, that there are as many milk marketing problems as there are cities in Canada; and on that account I think the question of getting representative data will be rather difficult—the data that you may obtain will disclose the spread, but whether or not it will answer the question whether that spread is a fair and just spread in any particular market is another matter.

By Mr. Carmichael:

Q. In giving us that spread in the various centres, in taking into consideration the retail price, did you consider the difference in the retail price to the private individual and the restaurants, hotels and such like?—A. No, we did not. We asked the medical health officer to give us the prevailing or most common price charged for milk delivered to the door of the consumer.

Q. Now, there is a variation, I understand. I have been told in this city, for instance, that the price at the door of the consumer is ten cents a quart while the price to the hotels, restaurants, hospitals, and such other institutions is eight cents?—A. I think I referred to that in connection with the data, stating that one would need to consider the wholesale price, or the price to larger users—bulk price, perhaps, is a better term—in interpreting these data. That tends to reduce the spread.

By Hon. Mr. Motherwell:

Q. You may have looked into the costs of one concern delivering milk on a given street and there may be six or seven concerns passing backward and forward performing the same service. Would not the one concern distribute much more cheaply?—A. We have not looked into that situation, Mr. Motherwell, beyond the fact that in our study of the situation in Sydney, Nova Scotia, last year we discovered as many as fifteen distributors driving over the same route.

Q. That must immensely increase the cost?—A. I believe that attempts have been made in some cities in the United States in particular to overcome that difficulty by zoning the territory among different firms, but that the housewives have objected to the arrangement and prefer to do business with certain distributors.

By Mr. Porteous:

Q. That attempt has been made through mutual agreement by the distributors. I think the attempt was made in the city of Rochester to do that, by mutual agreement among the distributors themselves?—A. I think that is as far as it has gone to my knowledge. I think the same thing was tried in Washington.

By Hon. Mr. Motherwell:

Q. Of course, as a rule customers like to pick out their own distributors?—
A. Yes, that is so.

By Mr. Porteous:

Q. Doctor, you stated that the producer received about 40 per cent of the consumer's dollar in recent years. Have you any figures as to what the comparison would be, say, in 1910?—A. Are you speaking now of the price of milk, or of products in general?

Q. Milk?—A. I have only those figures I gave you for New York state. They indicate that in a five year average, from 1910 to 1914, the farmer received 38 per cent of the retail price of milk. In 1917 the percentage had increased to 48 per cent. With rising prices a larger percentage goes back to the producer. In 1927 that had declined to 37 per cent, and I believe it is lower now.

Q. You have not figures relating to Canadian cities?—A. No, I have not.

By Mr. Boyes:

Q. Doctor, in your opinion, what better arrangement can we have so far as getting evidence in connection with this spread is concerned? You have, in the evidence you have given us— —A. Of course, you cannot go into the matter in great detail by a questionnaire sent to city officials. We have only attempted to get a very rough picture of the situation. I would think that your investigation would be a very much more detailed one and more accurate than it is possible to get in this way. Mr. Singleton has asked me to read this extract.

EXTRACT FROM REPORT OF THE MILK COMMITTEE,
APPOINTED BY THE FOOD CONTROLLER
FOR CANADA, 1917

That, while the producer receives for his milk delivered at the city dairy an average price of from six to eight cents per quart, the retail consumer is paying from ten to thirteen cents per quart. This difference, commonly called the distributor's "spread", varies, according to the evidence submitted, from 2.75 cents to 6.50 cents per quart, depending upon varied local conditions throughout the Dominion.

That this excessive "spread" or difference, between the producers' price and the consumers' price, is caused chiefly by the excessive number of distributors and that it varies in about the same ratio as the number of distributors.

In Ottawa, where one dairy handles about 75 per cent of the milk, the "spread" is only 3.25 cents per quart; while in Toronto, where there are about ninety distributors, it is 5.25 cents; and in Vancouver, with eighteen dairies, it amounts to 6.25 cents per quart. In some cases fifteen to twenty dairies deliver milk on one street. The effects of this unnecessary duplication are:—

- (a) Excessive capital employed.
- (b) Excessive dairy costs.
- (c) Overlapping in delivery.
- (d) Excessive loss in bottles.
- (e) Diversion of great numbers of men and horses from productive employment.
- (f) Excessive cost of milk to consumers.
- (g) Reduced consumption of milk and consequent endangering of child health and life.

The CHAIRMAN: Now, gentlemen, I think the thanks of the committee is due Dr. Booth.

Mr. Singleton has just shown me an interesting compilation of figures, right up to date in every particular. I do not know whether it takes into account all the factors that have been mentioned as to cost of milk and so on, but I think it would be worth while for Mr. Singleton to give that to the committee because it is compiled as recently as February 17th of this year.

Mr. SINGLETON: On the 16th of February I wired to the officers of the dairy branch in the different parts of Canada asking them to give me the price per hundred pounds of milk to the producer for milk delivered at the distributing plant, and the price to the consumer for quarts of bottled milk. I submit this statement for your information:—

"AS AT FEBRUARY 17—1933

Location	Average Price paid per Quart to Producers	Average Price paid per Quart by Consumers	Spread per Quart	% of Retail Price Received by Producer
	c.	c.	c.	%
Charlottetown, P.E.I.....	3.6	8	4.4	45.00
Halifax, N.S.....	5.5	11	5.5	50.00
Quebec, P.Q.....	4.0	8	4.0	50.00
Montreal, Que.....	3.5	9	5.5	38.89
Ottawa, Ont.....	3.6*	10	6.4	36.00
Toronto, Ont.....	3.7**	10	6.3	37.00
Winnipeg, Man.....	4.0	9	5.0	44.44
Regina, Sask.....	4.0	10	6.0	40.00
Saskatoon, Sask.....	4.1	10	5.9	41.00
Edmonton, Alta.....	4.5	10	5.5	45.00
Calgary, Alta.....	3.8	9	5.2	42.22
Vancouver, B.C.....	3.3	8	4.7	41.25
Average.....	3.97	9.33	5.36	42.57

NOTES: The prices as quoted as received by the producers are generally for milk delivered to the distributor's plant.

Any surplus which the distributor may have to manufacture into butter or cheese and thus market at a lower price than that paid by the consumers for bottled milk, is not taken into consideration.

Ontario prices to producers are on a basis of milk testing 3.4% with a differential of 4 cents per 100 lbs. for each 1/10 per cent plus or minus.

*Price at farm. Dairy collects 6 days per week. Farmer delivers one day per week.

**Cost of delivery 20 cents to 30 cents per can depending on distance."

I think that that should not go into the records without being labelled by something to the effect that it is based on the price of milk for manufacturing purposes and not for the consumer, the price of milk to the producer being on a butter fat basis; if it were going directly into distribution it would have to be pasteurized or processed. Many changes have taken place since 1917 in Ottawa. At that time the grocers and the retail stores in Ottawa were handling milk for nothing, simply as a convenience for their customers. They paid for it exactly what they got for it. To-day they are getting milk at 8 cents at the store and are selling it upon the same basis as from the wagons; the distributor is getting 2 cents per quart less to-day than was the case some years ago, for that part of the milk that goes out to the retail stores.

The CHAIRMAN: Mr. Singleton states that he will send me a copy of the Sir Robert Grigg report, that is the English report, and we will consider later whether it will be included in our minutes of evidence.

Mr. BOUCHARD: Mr. Chairman, if you will pardon me for my insistence, but I think we should have an agenda; we should see our way very clearly for the future as our time is rather limited. May I suggest that the sub-committee charged with arranging for the appearance of witnesses be asked to supply us with an outline of the witnesses they propose to call and the evidence which will be produced.

The CHAIRMAN: I think that will be satisfactory to the sub-committee.

Mr. TUMMON: Mr. Chairman, I do not want to be bound too much by an agenda, I do not know how far we can go in settling out our program for many days ahead. May I add, in regard to this investigation that we start first of all with the producer. Thursday next, if the committee agrees with me, we should have the producers here with their contracts and lay the foundation of our investigation there. Then, I think, we must go to the transportation companies and have them here, and the evidence given in regard to them. My idea would be to follow one step right after the other until we get to the consumer's table.

Mr. PORTEOUS: I think, Mr. Chairman, it is essential that we should have evidence with regard to by-laws, and any restrictions imposed by health authorities in connection with the distribution of milk. It might be well to have evidence in that regard right away.

The CHAIRMAN: I think, gentlemen, you can safely leave that in the hands of the sub-committee.

The Committee adjourned to meet Thursday, March 2, 1933, at 10.30 o'clock a.m.

SESSION 1933
HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, MARCH 7, 1933

No. 3

Reference,—Milk and Milk Products

WITNESSES:

Professor G. A. Toupin, Oka Agricultural College; Rev. Father L. Lebel,
Montreal, Que.

Appendix "A"—List of Documents filed to date,—not printed.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

TUESDAY, March 7, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Blair, Bowman, Bowen, Boyes, Brown, Burns, Carmichael, Duguay, Dupuis, Fafard, Gobeil, Goulet, Hall, Jones, Loucks, McGillis, McKenzie, Moore, Motherwell, Mullins, Myers, Perley, Pickel, Porteous, Rowe, Senn, Shaver, Simpson, Smith, Spotton, Sproule, Stewart, Stirling, Thompson, Totzke, Tummon, Weir (Macdonald), Wilson.

Mr. Tummon, chairman of the subcommittee reported that the following named witnesses had been called to appear this day, viz:—

Professor G. Toupin of the Agricultural College, Oka, Quebec.

Father L. Lebel, of Montreal.

Rene Trépanier, Superintendent of St. Sulpice Farms, Oka, Quebec.

(Witness Trépanier did not attend.)

That the subcommittee recommends that the railway companies be required to file certified copies of their milk tariffs presently in force.

That the proper official of the Montreal Health Department be summoned to attend on Thursday next.

The said report was concurred in.

Professor G. Turpin, called and sworn, addressed the meeting, answered questions put and was discharged.

Father L. Lebel, called and sworn, addressed the meeting, answered questions put and was discharged.

The meeting adjourned at 1.15 p.m. till Thursday, March 9, at 10.30 a.m.

A. A. FRASER,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 7, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 o'clock, Mr. Senn presiding.

The CHAIRMAN: First of all, we shall have the report from the subcommittee on witnesses.

Mr. TUMMON: Your subcommittee considered the question, after the last meeting, as to whether we had all the evidence necessary from the producers' standpoint. It was felt by the subcommittee, that since those who appeared at the last meeting were English speaking, and represented perhaps the English speaking producers around Montreal, it would be no more than fair to have representatives from the French speaking people appear this morning to speak for them particularly or on the general situation. We therefore asked the Rev. Father Label of Montreal, and Professor G. Toupin, professor of Animal Husbandry, at Oka. I understand two of the gentlemen are here. I think you called Mr. Trepanier a moment ago, and he seemingly is not here.

Now, in conversation with some of the committee, in regard to transportation rates, we were undecided as to whether the general committee felt it necessary to call representatives of the railway companies here to give evidence in regard to rates, or whether it would be sufficient if the railways filed certified copies of their rates, and the quantities of milk moved into Montreal. Personally speaking, I am of the opinion that perhaps that would be sufficient, and would not entail the cost of bringing those witnesses here. I think that is a matter, Mr. Chairman, for the committee to decide. After that is decided, it is the intention of the subcommittee to recommend that representatives from the City Health Department of Montreal be called to give evidence in regard to regulations and such like in connection with the distribution of milk in Montreal.

Mr. BOYES: Mr. Chairman, regarding transportation, would it not be wise to have the rates so far as trucking is concerned, as well?

Hon. Mr. JONES: Mr. Chairman, I am not speaking in regard to the Montreal district, but in regard to the Maritime Provinces. We have never had any trouble with regard to the express rates down there. They are hauling milk down there forty miles for fifteen cents a hundred pounds. That rate is the same as it was thirty or forty years ago. During the war there was no increase. They returned the cans free, so I do not think it will be necessary to call the railways here in regard to that phase of the situation.

Mr. TUMMON: My point is this: this is an investigation, gentlemen. Your evidence or mine as members of this committee, is not considered as evidence. We undertook to try to find out what the spread is between the producer and the distributor. Now, in order to do that, we must have evidence of those things, even though we think we know them.

Mr. BROWN: Mr. Chairman, it seems to me the filing of rates would be sufficient evidence. The evidence produced so far would seem to indicate—I have been reading over some of the evidence this morning—that the railway rates are not really a big factor in the problem; but at the same time, I think it would be necessary for us to have that on file. I think the filing of the rates would meet our requirements at the present time.

Mr. PICKEL: I do not think there will be any difficulty in regard to railway rates. It is the truck rates we should enquire into. The witnesses have all agreed that the railroad rates are uniform and unchangeable, and I think if we can get to the matter of trucking, that would be all we would require, so far as the rates are concerned. If the railways filed a statement in regard to their rates, that would be sufficient.

The CHAIRMAN: There was certain evidence given the other day by Mr. Moore, and Mr. McMillan, as to the truck rates, but I think we should have a certified copy of railway rates on file. If the committee thinks it desirable, of course, we could get some more information regarding the rates of trucking. If you think it is necessary to call any more witnesses in that regard, I am in the hands of the committee.

Mr. GOBEL: If we can get a certified railway rate we can rest assured that the truck rate is not higher. In almost every case it is a little lower, because no farmer would pay a trucker a higher rate than he pays the railroads; and he does not. In most of the cases it is lower; so if we have the higher rate, which is the railway rate, I do not see any object in our getting that. They vary with every truck, and they vary at every place.

Mr. BERTRAND: Mr. Tummon made the report, and the only reason why we are asking this committee to pronounce on it is that the subcommittee was undecided as to whether we should have more evidence given on those rates. Consequently we are simply placing ourselves in the hands of the committee as a whole.

The CHAIRMAN: Would it be satisfactory to the committee if the railway companies filed certified copies of their rates? (Carried.)

The CHAIRMAN: Then, in regard to the calling of witnesses for to-morrow—

Mr. TUMMON: It was intimated to me there was likely to be a caucus to-morrow by our Liberal friends.

The CHAIRMAN: If we are going to interfere with party caucuses on either side, we shall not sit.

Mr. BERTRAND: We would prefer to have it Thursday.

The CHAIRMAN: Then, the suggestion of the subcommittee is, that representatives of the Board of Health, of the city of Montreal, be called on Thursday. Is that satisfactory? Carried.

The CHAIRMAN: Now gentlemen, we have with us this morning, as you have understood from Mr. Tummon, two gentlemen from the province of Quebec. We shall call first Professor Toupin, of the Agricultural College at Oka, Quebec, and ask him to give his evidence. It is customary, Professor, to have witnesses sworn.

PROFESSOR G. TOUPIN, called and sworn.

Mr. Chairman and members of the committee, my first word will be to ask you to be very indulgent; for the report I intend to present to you will be presented in English. If I were dealing with this matter in French, I think I could be more interesting and more precise. The questions I want to submit to your attention deal with the present state of milk production in Two Mountains county. The facts I will present to your attention, are drawn from a report of the Two Mountains Cow Testing and Feed Association I have organized, and directed since 1926. My report will deal particularly with the cost of the production of milk sold on the Montreal market. In order to be as clear as possible in my statement, I will deal with this year. I would point out to you first, the average production per cow in our association, and the approximate average per cow in the rest of the district. I will quote to you, through our

figures, the cost of the feed for 100 pounds of milk, through a formula used in the States, and used in Canada; that is, to draw the ratio between cost of feed and the total cost of milk production. I will draw a conclusion on the approximate cost of milk shipped on the Montreal market, and I will conclude by pointing out to you the influences in regard to the low price of milk in our district, and I will submit to your attention a few direct and indirect remedies for the present state of production in the Two Mountains county. In order to understand and to have a clear idea of the actual present state of dairy production, we have first to establish the average production per cow, because as you know, the average production per cow deals with the cost of production. If the production of our dairy cows is low, it means a high cost of production. If the production per cow is high, it means a smaller cost of production. Consequently, the yield of milk per cow influences a lot the margin of profit. Therefore, it is very important for you members to have an idea of the average daily production per cow in our district.

Basing my statement on the last report of our cow-testing association, forwarded to the provincial Department of Agriculture last June—our yield runs from June to June—the average production of our cows in our society was 8,111 pounds of milk per cow, average test 3.47, pounds of fat 281.73. There are forty-two members in our association. Sixty-seven cows had completed their record on the first of June, 1931. We are reporting, consequently, these figures, on the production of sixty-seven of our cows on the first of June—last June, 1932.

What is the approximate average production of cows outside our organization? I am basing my statement on a group of producers who joined our society the first of the year, because every year our society is accepting a certain number of producers. Sometimes we accept ten, eight, five. If I base my statement on the average production of our farmers shipping their milk on the Montreal market, I think the average should be around 6,000 pounds of milk, in our district. I think that is about correct. That is about correct, about 6,500 per cow—6,000 pounds of milk is about right. That may appear to you as a high average, but we have lots of black and white cattle, and pure bred Ayreshires. This is a district that is fairly well advanced in live stock. We have two breeds, Holsteins, black and white, and red and white, and they are spread pretty well over that county. They are pure bred cattle, and I think that is responsible for the high average outside the members of our society. In 1926 we organized a society in our district. I think it would be interesting for you to know the program of this society, which is quite an old one. This society has no board of directors; the members do not pay any fee. We direct the society alone, and each member has to sign a contract for five years, and he obligates himself to operate not only under one article of our program, but under every article of our program; and if those farmers do not submit themselves to the appliances of this program, we simply ask them to drop out of the society. They are obliged to make a monthly report to us, mainly on the price of milk, and feeds. There are blanks or formulae which they have to fill out each month, describing the ratio of milk prices to the feed consumed. They have to report the price of milk they receive from the Montreal market. Consequently, we have lots of figures available on both the cost of feed and the price of milk paid to these farmers.

In our report from June, 1931, to June, 1932, the cost of feed to produce 100 pounds of milk was 73 cents. June, 1932, to June, 1933—that is to say, in the report which we will present next June—we are practically sure, because we have sold the feed, the feed is in the barn—that the cost of 100 pounds of milk will be 70 cents. In using that figure I do not think I will commit a mistake of more than five per cent. As I said to you, we know the price of hay,

the price of ensilage; we know the price of grain, and the price of concentrate; because we bought those concentrates last fall. Most of our farmers have their feed, and through the monthly report we have, we think that next June we shall report that the cost of 100 pounds of milk will be around 70 cents.

By Mr. Gobeil:

Q. Feed cost only?—A. Feed cost only. We deal only with the feed cost.

Now, I want to draw your attention to the fact that you must not forget that this year some are under the impression, that due to a reduction in the single concentrates—I mean by that, single feed, such as oats, barley, bran, middlings, single feed proteins—some are under the impression that the cost of feed for this year is less than the cost of feed for next year or two years ago. That is not correct, and I shall tell you why. It is due to the fact that in the province of Quebec last year we had a very poor crop of hay. We did not get any clover hay. We are feeding our cattle with mixed and timothy hay; consequently it has forced our producers to use less farm grain and to buy more protein feed; and as you know, protein feed costs more than carbohydrates, hay, or farm grain. The price of the concentrate is fixed to a certain extent by the price of a single feed; but to a great extent, by the combination between farm grain and protein feed. Last year we were using less protein feed in our mixture than this year. You understand that. This, consequently, is responsible for the condition I mentioned to you. Last year, if I wanted to be very precise, the cost per ton of feed was \$22.80. This year it is not less than \$23, and closer to \$24, and I will tell you why. According to our report, our farmers to-day cannot use more than seventy per cent of farm grown grain. They have to buy thirty per cent of protein feed. They have to buy foreign feed in order to balance their rations. The next year, and two years ago, due to the fact that they had a bigger crop of clover—

Mr. GOBEL: Last year.

The WITNESS: Last year, and two years ago—last year they had more clover, and two years ago they had still more clover. Consequently they could use less protein feed. Conclusion: June, 1932, to June, 1933, we think that the cost of feed for one hundred pounds of milk will be around seventy cents, the price of feed, the net price, after having deducted the cost of transportation. June, 1930, to June, 1931—which was the golden age—our farmers received an average of \$2.16 per one hundred pounds for milk. June, 1931, to June, 1932, they received \$1.34—\$1.34 all the year around. In the report we made last June we have reported that our farmers received for one hundred pounds of milk \$1.34. Our prediction for June, 1932, to June, 1933, is \$1.05. Now, I will try to prove to you that it will not be higher than \$1.05, in spite of the fact that our dairies claim \$1.60 and \$1.35 per hundred pounds of milk. Our farmers, from June, 1932, to June, 1933, will not receive more than \$1.05—not a great deal more, and here is the proof of that.

June, 1933, July, August, September and October, five months, the gross price on the Montreal market was \$1.35. Our farmers have received during these five months only ninety-five cents for one hundred pounds of milk. They have been cut. Well, they have two or three kinds of cuts; it is pretty hard to understand their reports; it takes patience to understand the number of the cuts which appear on the slip.

By the Chairman:

Q. What percentage of butter fat are you referring to in that?—A. Well—

Q. The standard?—A. The standard.

By Mr. Bertrand:

Q. 3·5?—A. 3·5.

By the Chairman:

Q. 3·5?—A. 3·5. Well, however, I should say that some of our producers are shipping to some dairies, and those dairies do not require any percentage of fat. They overlook that question. They buy their milk on a flat rate. Some give premiums.

By Mr. Goulet:

Q. Do not they buy on the basis of 3·5?—A. Some dairies in Montreal buy milk on the flat rate basis, without considering the percentage of fat, while others take 3·25. Some require 3·5. The big dairies in general require 3·5 and they give a premium—

Q. Do you mean to say there are some dairies in Montreal that receive your milk without considering the value of the milk, without considering the richness of the milk?—A. There are some dairies in Montreal who accept our milk without paying too much particular attention to the percentage of fat. They take our milk—provided you give them milk of 3·3, 3·2, they overlook quite a lot on this question.

Q. Supposing it is only 2·8, what do they do then?—A. As a matter of fact, I have some members in my association who are shipping their milk to the Montreal market with milk of 2·8.

Q. Are they paid the same prices?—A. Well, it depends—if they ship to a dairy that I have in my mind, they will be paid the same price. They are paid a flat rate.

THE CHAIRMAN: I should not have asked that question. It has been customary to allow the witness to make his statement and ask questions later. Perhaps you had better continue and leave that until later.

THE WITNESS: Now, the net price for June, 1932, to June, 1933, will be approximately \$1.05, and here is the reason why I make this statement. June, July, August, September and October, five months, they have paid for our milk ninety-five cents; and to find out this ninety-five cents, we divide the total amount of money marked on the slip on the monthly report of the dairies by the total quantity of milk shipped, minus the transportation. Nineteen hundred and thirty-two, November, the gross price was \$1.35, but there are cuts; our farmers received \$1.20. December, 1932, and January, 1933, two months, the gross price was \$1.60, but our farmers received \$1.35. Now, for February, March, April and May, the coming months, basing our argumentation on what they are paying, and what they were paying yesterday—on what our farmers were receiving yesterday, from the last report we received two days ago, according to our last report we have booked, we have entered in our books an average of one dollar. Now, if you work on an average from these figures, you will come to the conclusion—five months at ninety-five cents; one month at \$1.20; two months \$1.35, four months at \$1—that the price that our farmer will receive, the net price our farmer will receive will be around \$1.05.

Now, what is the loss, with this price, with the cost of feed on one side, and with the net price that our farmers are receiving on the other? Is it possible to draw a conclusion of profits? Or, if we may speak of profits in the broader sense of the word, is it possible to draw a conclusion on the present economic state of our farmers? I think we may, by applying a formula; and here I want all of your attention. We have worked out a formula to find out the minimum cost of production and the maximum. We have worked out a formula, and this formula is this: What is the cost of feed in proportion to the total cost? If we study the different surveys made in Quebec in these last years, made in the States, we come to the conclusion that the cost of feed to the total cost runs between forty-five to fifty-five per cent, and that is a very conservative figure. If I wanted to push the formula more, we might extend

this formula from forty to sixty, but I want to stay within the limit, the full limit of the truth. If we take the formula of the cost of feed to the total cost runs between forty-five to fifty-five per cent, we come to this conclusion, that when a farmer pays seventy cents for feed, the total minimum cost of milk is \$1.28, and the maximum is \$1.55. My opinion is that the total cost of milk production to-day runs between \$1.28 and \$1.55; and if we wanted to be a little bit more generous towards our farmer, we should take a lower minimum and say that the lower minimum which we put at \$1.28, should be around \$1.20, to \$1.70. We should take a bigger margin. But as I say, I do not want exaggeration, which is not correct. I want to stay within the limit of a moderate figure; and I think that through our figures, the total cost of milk to-day runs between \$1.28 to \$1.55.

What is the loss, then? We receive \$1.05 for our milk. We will receive—when we will close our book on the 1st of June, 1933, when we will make a report to our farmers we will have to tell them that if we want to take into consideration all of the factors to deal with the cost of production—we will have to tell them that they are operating at a loss, running from twenty-three to fifty cents per hundred.

By Mr. Dupuis:

Q. Does that amount of \$1.28 include salaries?—A. Yes; in \$1.28 all the factors involved in the cost of production are included—all the factors.

Conclusion: What is the influence of such a state of production? I prepared last summer a report for the Quebec Dairy Commission. What I have said in this chapter on the influence of the cost of milk has changed a lot since June. I have a note I prepared last June, and I have marked in the margin incorrect statements for this year, because the situation has changed a lot since a year. Last June the influences of the low price of milk were not yet very apparent, on breeding, on feeding, on the general economy of the farm. It was conclusively apparent this year, the low price of milk has big effects on farming, in general. First, on breeding. The low price of the milk has a great effect on breeding, in the state of our calves and our young stock. The young stock are in very poor condition; and if the situation continues very long, I don't know what will happen to the quality of our stock. On feeds: our farmers did not feed so much in general this fall or winter as they did last year; and you all know that last fall, on the Montreal market, we nearly faced a panic. I know that the milk dealers will not say that. I know they will claim that last fall that they did not face a panic, but they were nearly facing a panic last fall in November, due to the big shrinkage of milk on the Montreal market; and you should find out about the milk that they found in October, November and December, where they took this milk. It is your duty to find out where the milk they found in November came from. In my district, milk was shipped on the Montreal market that I would not have liked to feed to my children; and it is a point—it is a field which you should investigate.

Anyway, due to this panic, due to the shrinkage in the milk available on the Montreal market, they tried to find milk here and there. They had raised the price materially to our farmers for all feeds, and they had reduced the price of milk; what is the effect of that situation on general farming? It has a terrible effect, and I want to prove it to you through figures—well, it might take too long.

Anyway, to-day with the present condition, the farmer whose cows do not produce at least 8,000 pounds of milk, is in a very bad shape. Any farmer whose cows do not produce 8,000 pounds of milk is in very bad shape, because the margin—because the share for his labour is so small that he cannot find any money to pay his taxes, and he is in very bad shape. Consequently the influ-

ence on breeding, on feeding, on general farming—the consequences are far too serious. I do not want to take too much of your time; you know that better than I do.

Conclusion: price of milk, \$1.05; cost of milk \$1.28 to \$1.50, loss per hundred, 25 to 50 cents. The influence is very bad, very bad. If the present state continues, well, the first thing we will find is very poor milk on the Montreal market. The quality of the milk will decrease. It is impossible for a farmer to keep the standard of his milk up, in the present condition. It is impossible, and consequently it is a great menace to the citizens of our large city; and to me, if you want my opinion, that is what is frightening me most. I am worried about the people of our large city; I am worried about them. I am worried about the health of our children in our large city; and a measure, a very quick measure, should be studied in order to protect the population of our large city. If the price of milk continues to go down, my opinion is that the quality of milk will decrease, and it is a great menace to the citizens and to the population of our city; and this will justify us in submitting to you a remedy in a few minutes. That is the short conclusion.

Now, I don't want to deal, in detail, with the grievances, with the complaints of our milk producers. I will just give a resume of the grievances, the complaints of our milk producers very shortly. You should understand that in such a state our milk producers have grievances. You know that well. What is the biggest one? Lack of contract, that is the big one. Lack of contract between milk producers and dealers. Gentlemen, I have been in charge of a Cow Testing and Feeding Association for six years. I have been mixing with the farmers for a certain number of years, consequently, I am facing problems with the farmers. In other words, I am trying to balance their budget. Can you imagine a man who is able to balance his budget, when he has on one sheet only the probable expenses, and when he cannot find out the probable revenues? To lead a horse we need two ropes. When you have only one rope, you go in the ditch. That is what is happening to our farmers to-day. They have only one rope in their hands. I am very sorry to-day, to have contributed last fall in the unloading of car loads and car loads of feed in my district, because I believed the word given by some of our dairies in Montreal, that prices of milk would remain around \$1.60: We have gambled. I told the farmers to buy feeds, that it is the time to buy feeds, the price of milk is high due to the panic we had last fall. I expected the price of milk would remain high until May. Consequently it would be a good thing to buy feeds. We bought feeds last December, car loads and car loads of feeds. Two months later, after having bought our feed, the drop came in the price of milk. Well, I feel embarrassed. I feel very embarrassed, before the members I am dealing with. I feel very embarrassed because I ask myself—well, I am lacking in judgment. I put my confidence in an organization and they have fooled me well. I am in the position of a broker who has told his customer "Buy," and two days after the market dropped. It is an awful thing. We were told that in Quebec last summer, and I am pleased to repeat that statement in front of you members, you should find out a way of binding the milk producers and milk dealers through a contract; because if you do not find a formula along that line, we are indirectly contributing to the poor state of farming.

A few years ago those who produced milk knew that in November the price of milk was fixed for eight months, and in June the price of milk was fixed for four months; the farmer then could balance his budget. To-day he is not able to balance his budget; and I know personally some milk producers who are on the street to-day. Why? Simply because the milk price has ruined them. You know that in general you cannot be a milk producer without feeding. You know that well. A man who produces milk for market is a feeder.

He has to feed, and feed costs; it is a tremendous item. Feed cost is a tremendous item. It is a gambling item. When we buy feeds we are gambling, and it is not very paying gambling these days. But there is the position, and it is a very awkward position. What is the reason that our milk producers are gambling? They are forced to gamble to fulfil their contracts.

Now, another weak point is the insolvency of some dairies. Some dairies are in the Montreal market, and I think that some dairies are on some other markets, that should not be there. They are parasites, sucking the blood of the farmers. They should not be there. They should not be on the market, and you should find a formula to take away from the market this tremendous group of—

Mr. GOBEIL: Profiteers?

The WITNESS: I don't know what kind of expression I should use for them.

The CHAIRMAN: Bandits.

The WITNESS: They are a kind of bandits, anyway. They buy milk from one farmer for two months; after two months they close the concern.

Mr. SPOTTON: Racketeers.

The WITNESS: Racketeers. You should find out a way of clearing the market of those fellows.

The price of milk is not logically fixed. It has varied. That is the particular grievance of our farmers. They claim that the price of milk is not fairly fixed; and that is true; it is absolutely true. A commodity so important as milk calls for special legislation, and I will come to that later on. The price of milk is varying, and unfairly fixed—no proper basis in the regulation of milk prices. It is illogical to support longer such a state as the present one.

Now, another grievance is the unjustified cut in their milks. Is it just for a farmer to ship—to organize his dairy barns, according to the Board of Health for Montreal regulations, ship his milk for consumption, and have his milk classified as milk for manufacture? It is absolutely unjust. A farmer ships six hundred pounds of milk per day; two hundred pounds of his milk will be classified as milk to be sold in nature, and four hundred pounds in the dairy. Why not ship his milk to the cheese factory or butter factory at the corner of the road? Then, in dealing with the matter of having a regulation to control the surplus of milk on all the dairy markets in Canada, we should define what is a milk dealer. The law should define that. What is a milk dealer? A milk dealer is a man whose function is to distribute cream and milk on the Montreal market. His function is not to manufacture cheese and butter. He is not a manufacturer of cheese and butter. If he is a manufacturer of cheese and butter, well, he must be placed in a concrete situation for that; because if he produces cheese and butter, he is in the same position as a man who is in a small village manufacturing cheese and butter. The stable has not to be in the same condition as the one who ships his milk to the Montreal market. This means that we should have some way of regulating the surplus milk on the Montreal market.

Our farmers have another grievance. They can dispose of their own surplus. The farmer who has shipped six hundred pounds of milk, 400 pounds are sold as in nature, 200 pounds for butter fat. Why not give him the privilege of keeping his 200 pounds and shipping to the butter factory? Why leave his 200 pounds of milk in the hands of Mr. so and so? He will dispose of those 200 pounds of milk very well. It is unfair. But you know that our dairies, our milk dealers do not give to our farmers the privilege of disposing of their surplus. They cannot dispose of their surplus. The milk dealer disposes of their surplus.

Another grievance is that there is no proportion between the retail prices and the price they receive for their milk. Last June our farmers were receiving

only 35 per cent of the retail price; the dealers were receiving the balance. This means that there is something wrong in the organization. We have to come to this conclusion: the big margin is on the side of our main dealers. There are certain facts responsible for that, and we should study why there is so big a margin between the price a farmer receives and the retail price. That is a resumé of the grievances of our farmers.

I am coming now to the remedies. I have not the audacity to come here this morning with remedies to the situation; I will make suggestions. Let me draw your attention to a principle you should admit. There is no concrete, absolute remedy to the present situation. It is hard to find a remedy which will cure the evils; it is pretty hard. In agriculture it is better to prevent a situation of this kind than to try to cure it through direct orders. However, something should be done, something can be done to bring some relief to our farmers. It will be hard. It would be easier if our parliaments were able to face the situation with acts—the situation could be settled very quickly. But I am rather under the impression that maybe our governments, both federal and provincial, won't go so far. At any rate, my opinion is that direct remedies are hard to find and difficult to apply. We should try something. Here is one. You should accept my proposition in good faith and open mind. First, a coercive association of milk producers—a compulsory association. I wonder if it is feasible that the government will enact, will pass a law obliging each milk producer shipping his milk to one city to have a licence or to be a member of an association by paying a fee of one dollar. We will thus force our milk producers to join a society. We need a society. We are badly in need of a milk producers' association. It is not an easy job to organize into a society all the milk producers. I know that by experience. But why not oblige them?

A MEMBER: What is the use?

The WITNESS: What is the use? The use is in having a society of that kind that will be for those three points. First, it will deal with three points—first, price fixing; second, control of the surplus at Montreal. I will explain that to you later. We have found out that our milk controls the surplus. If we want to control the surplus, we must convert our milk producers to this idea that our milk producers through their society should understand that they have to control the surplus. This means that we should eliminate a certain number of milk producers. There are too many milk producers in our dairy milk market. We should eliminate them. In order to eliminate them through practical methods we need an association. I will give you a formula to eliminate them—through the scoring of stables. To eliminate a certain number of them our association will pass regulations. Each farmer whose stable does not score so many points will be the first one to be kicked out of the market. The government cannot go so far as that, but an association may pass such regulations for the milk producers. Look at the situation to-day. We have some members to-day who have been kicked out of the Montreal market—pure bred cattlemen, men who have a big invested capital and cowbarns have been thrown out of the market. They have lost their market to their neighbours who have small cows and more or less good stables. I do not know why those stables have been accepted. That is the minimum to be accepted on the Montreal market. One scored 80 per cent, the other scored around 55 or 60 per cent. One is out of the Montreal market and the other one is on the Montreal market. That is not fair. If we had a big association, these milk producers could study their problem together and find out a way of controlling the surplus. The aim of milk producers should be the study of price fixing, the study of controlling the surplus among other things. After all, it is illogical for milk producers to be fighting against milk dealers. They should understand these things very well. They should co-operate together.

If we want the co-operation of these two groups of men, that co-operation can come only by the formation of a big association on the one part and a big milk dealers' association. We should have an association. That is one remedy.

Second; a contract should be passed—the passing of a contract between the association and the milk dealers—and this contract should include many points, and mainly this one. First, the price of milk fixed either between this association and the milk dealers—but I would prefer the appointment of a commission to fix the price between the two groups. However, a contract should be signed between the milk producers on the one hand and the milk dealers on the other.

Now, there is a third remedy. The price should be fixed—I know that this will appear to you to be a rather radical or drastic proposition, but I feel it is for me to propose it—to my way of thinking the price of milk should be fixed and re-enforced by law, either a legislative enactment or a federal one, and the legalized price of milk given by the commission. In other words, if at last June a commission had said that the price of milk should be \$1.25, well, through a federal or provincial law it should be admitted by the milk dealers. This law should bear on two points: the price of milk fixed for the producer, and the price of milk fixed for the consumer, and let the dealers fight between each other on the margin. Let them fight; but we will fix the price for the consumer and we will fix the price for the producer.

Now, this proposition may appear to you drastic; but if you ask me why I go so far I will tell you why. We should go as far as that for a certain number of years. I have only one argument to justify such a drastic measure. I am afraid of the quality of milk on our markets in general. I am afraid. In speaking that way I think of the children; I am thinking of the babies. I cannot understand why if we may sell milk it should be milk in the country at \$2 per hundred. I cannot understand that and keep the quality and keep the standard. Now, this is so important a commodity that it justifies parliaments to legislate on this question; and if it is necessary to keep up the quality of this commodity to fix the price to our producers and to fix the price for the consumers, go to it; and I am convinced it is necessary to go as far as that. It is done in some other parts of the world. It is done in the United States to-day. That is a war measure; that is a special measure; it is a crises measure. Well, to my mind, I think we should go as far as that. We should have an association. We should bind milk producers and milk dealers through a contract. We should have a commission to fix the price. The government should have a law to give full application to the price fixed for both consumers and producers. Now, we should have a measure or a law to take out of the market all milk dealers who are insolvent, and the price of milk should be fixed twice per year—in October and in June. These are the direct remedies I am thinking about: an association, a contract, price fixing—a governmental commission to fix the price, a commission composed of producers, consumers and technicians—and a law to chase the insolvent dealers, and to fix the price twice per year.

Now, with regard to indirect remedies. I believe more in the indirect remedies as a base upon which to fix milk production. I feel at my ease to say that, unfortunately, we are devoting too much of our efforts to finding direct remedies, and we overlook in general too many indirect remedies. This is a hygienic condition. You know it is pretty hard to apply hygienic measures. It is easier to buy pills to cure our diseases. We believe more in pills than in hygienic measures. In agriculture it is the same thing. When I look back eighteen years—because I have been dealing with agriculture for eighteen years—I find in my notes more measures to solve the agricultural problems through direct measures than through indirect ones, and it is bad. Well, what are the indirect remedies? The first indirect remedy to my mind should be the tackling of the question of our dairy herds through county associations. I wonder if

there are any representatives of the Department of Agriculture here? I am pleased to see the ex-Minister of Agriculture, the hon. Mr. Motherwell before me. To my mind, in the past we have tried to improve our cattle by working with the individual. That was good enough ten, fifteen or twenty years ago, but to-day we have to change our procedure. That time has passed. We should work through associations, through county associations for the improvement of our cattle. Why? Because that is the only way to convert our farmers to the full appliance of the whole doctrine of dairy improvement. There are about seven factors of control among the milk producers. The code or doctrine of milk production is a resumé of seven articles. If you deal with only one—if you intend to improve cattle only with the bulls, or only by improving farming conditions, or if you work no other factor—if you do not work all the factors together I do not hesitate to say that your work will not produce much result. I do not hesitate to say that because I have been conducting a service for six years and I have facts. I have been talking on this question for quite a while. I am quite at my ease on this question, because 95 per cent of our men have no figures on this question, and I have figures. If I judge the work done for dairy improvements in the past I say that we have to change; we have to change our method of procedure, and we have to turn our efforts towards groups. We should have in each county thirty, forty or sixty farmers interested in milk production bound to a program of action, and we should say, "listen, if you want the help of the government or the public service, if you want public money for the improvement of your cattle, here is what you will have to do: you cannot work for nothing; you will have to apply this and this and this." Now, I have done that in Two Mountains county for two years, and I am very proud to say that we have come to a very extraordinary result in our averages. In 1926 when we started this association in Two Mountains country the average production of our cows was 4,600 pounds of milk. In June, 1932, it was 8,111. We have doubled the production. What is the consequence of that? You have that in the article I published last month. Last year those who had a herd producing 10,000 pounds of milk were producing 100 pounds of milk at 50 cents for feed costs, and those whose cows of 5,000 pounds of milk were producing milk at 85 cents for feed costs. The improvement of our herds is the best way to increase the profits—but not by the top, by the bottom. To-day we are working from the top. We say that we want a bigger price in order to enlarge the profits. If we would look down, it is easier by lowering the cost of production. And my modest opinion is this that in lowering the cost of production the lone, isolated farmer cannot apply the complete doctrine of their improvement. A man of general knowledge is not able to control the milk of his cows nor is he able to buy feed. The county organization deals with the buying of feed. Do you know how much can be saved per ton of concentrate? It will take too long to discuss this tableaux, but the difference per ton of feed runs as high as five dollars to \$5.65 of a difference to the person who is buying his feed alone, with nobody to help him. Another farmer is buying through a group with a technician to instruct him and give his advice, and he will save \$5 per ton. Do you know that a cow requires one ton of concentrate, and if a man has twenty cows there is a saving of \$100. That is a saving sufficient to pay road taxes and many other taxes.

Now, with respect to indirect remedies, the government should study a way of helping these county associations. I believe more in the small association than in the big one. Each county in Canada should have a live stock production association for the improvement of dairy cattle, and the first result will be increasing the production per cow.

Mr. PICKLE: Mr. Chairman, if you will excuse me one moment, we have had very valuable information from Professor Toupin, but our time is limited. Now, he has established the fact of the price. That is what we are after.

He is now entering into an academic discussion which is perhaps very interesting to an agricultural society, but we cannot go into that now. We want to establish the price—the spread between the producer and the consumer. He has established the fact that the average production of the dairies under his control is 6,000 pounds. The professor, I am sure, will gladly acknowledge that that is far too high for the average dairy in the country. Now, so far as production is concerned, he has pretty well established the fact that the more you produce the more you lose. That is about all there is to it. Now, we would like to hear Father Lebel and we will not have time to go into this part of the discussion.

By Mr. Thompson:

Q. I understood the speaker to say that milk from herds that were not tested and from stables that had not been inspected was finding its way into the markets of the city of Montreal. I would like to know through what channels this milk goes to be sold in Montreal? How is it that milk from those stables that are not inspected and herds that are not tested is at the disposal of the milk distributors?—A. It is hard to explain the organization they had in Montreal last fall, but here are the facts. A truck stops at a farm after 7 o'clock and buys three cans of milk and goes to another and at 11 o'clock it goes to Montreal with a full truck. I do not know what kind of an organization they have, but that is the fact. Indeed, the Quebec Milk Association have found out these facts, and they have submitted them in their reports and regulations. They have asked the provincial government to pass a regulation forbidding all transportation after 7 o'clock. Consequently, to cover that point, I cannot explain to you what organization they have to pick milk, but I know they are picking some.

Q. In other words, they are practically bootlegging?—A. Certainly, that is bootlegging milk. That is what they call them—milk bootleggers.

Q. I think that is a question that should be looked into. There is another fact that struck me, and I would like to ask a question about it. Is there no regulation in the city of Montreal whereby milk of a certain percentage of butter fat is called for; is there no standard set by these dairies?—A. Yes, there is one.

Q. I understand you to say that some companies were accepting milk on a flat basis without having any standard of butter fat?—A. Last December I placed two dairy producers in the dairies of Montreal, and they have passed a written note, and the question of percentage of fat was overlooked providing the milk came to a fair average. This has not been marked in the contract. You say, "don't you insist on the percentage?" Well, we do not. All the milk is good, and they have overlooked the question; and this milk is paid for on a flat rate basis.

By the Chairman:

Q. I understood that the professor was nearly through with his statement. He has given us certain methods that he thinks should be employed legally to overcome the situation that exists, and then he was giving us some indirect methods?—A. I was dealing with my indirect methods. I understand that my speech has been very long.

Q. Not at all?—A. I will outline them.

By Mr. Pickle:

Q. Since you are on the cost business, would you give the committee the benefit of your experience as regards buttermilk. Does the farmer receive anything for buttermilk?—A. They do not receive anything for buttermilk. We sell our milk in nature.

Q. There is a big surplus of milk in the city of Montreal?—A. We do not receive anything—the dealer does not give anything for our buttermilk. My answer is based on the report of the members of our association. The members of our association do not receive anything for the buttermilk.

Mr. GOULET: Nobody does.

Mr. PICKLE: Yes. The distributor does.

The WITNESS: Among the indirect remedies I have one to arrive at a lower cost of production, and I think we will arrive at this aim through the organization of county associations—livestock production associations in the counties—in order to work thoroughly on the cost of production and to control all the factors of milk production. Now, through these societies—I think through the organization of these societies in Ontario particularly, and in Quebec—these societies should buy and should become the owners of butter and cheese factories, transfer their milk, and ship their milk in whole. But my aim in Two Mountains county is to organize a factory to classify my milk there and ship it on the Montreal market in whole in order to avoid the cuts on the Montreal market, to handle our milk ourselves.

The third indirect remedy, and this is not an insignificant one, is the improvement of technicians, improvement of the technique of dairy manufacturing. We should devote more time to research work in the improving of our dairy product, and to introduce new milk products in order to enlarge the milk production. We should have a third indirect remedy. I think that our butter and cheese manufacturers should receive wider instructions. I will not take too much time to explain that, but it is a big handicap in our small parishes to have butter manufacturers and cheese manufacturers not prepared technically for present conditions. This is an indirect remedy: the improvement of technique in manufacturing and in the transformation of dairy products, and the amount of regulation; and with the suggestions made to colleges and ministers of various departments of agriculture we will devote more money for the improvement of dairy science. Gentlemen, I am sorry I have talked too long. I am sorry for Father Lebel's sake.

By Mr. Dupuis:

Q. Before you leave that, professor, there was one very important point you raised. You said there must be some legislation to prevent a milk dealer from making butter and cheese in the large places in Canada. That is very important. In the district of Montreal, for one hundred miles around they ship their milk to Montreal. Well, as the professor said, the milk dealers in Montreal deliver their milk and with the balance they make butter and cheese, and there are manufacturers in Montreal who make butter called classified butter and made their fortunes with that; and the result is that in our county the milk producer can't have a milk factory in the neighbourhood, and the milk manufacturer can't stand the price of Montreal. For instance, if, as the professor has said a price of \$1.70 is fixed for milk in Montreal, all the farmers will send their milk to Montreal, and what will happen to the manufacturer in the district? He can't stand that competition. What the professor suggests is a remedy so that the milk manufacturer can make his living in the neighbourhood just by absorbing the surplus of milk.

The CHAIRMAN: Any further questions, gentlemen?

By Mr. Dupuis:

Q. I would like to hear what the professor suggests.—A. By fixing the surplus. If you have a milk producers' association on the one hand, if you have on the other hand a commission—a federal one, or a provincial one—it will be the duty of this commission, and the duty of the association, to find out

a formula to let on the Montreal market the milk necessary to feed the people, plus a surplus—which we call a necessary surplus to meet the needs; and it is feasible. Dr. Bond of Cornell university made a survey last year in Montreal, and he has given us a formula to settle this question. There is the report of Dr. Bond of Cornell university. It is feasible to fix a minimum surplus of milk in a market. In other words, it is possible to find out the approximate quantity of milk that should go on any market and drop the rest. That is the only way of checking the tremendous manufacturing of butter and cheese on the Montreal market; and as one of the members said, this kills butter and cheese manufacturing in small places—in the counties in the vicinity of Montreal. The butter and cheese factory cannot stand to-day, because, when the price is \$1.50 net, producers want to go on Montreal market and when they are there 50 per cent of their production is shipped to the butter and the rest is sold as whole milk.

By the Chairman:

Q. Professor, would you prevent these companies from the manufacture of ice cream as well?—A. No, because they buy cream.

By Mr. Tummon:

Q. In your evidence you said that from June, 1930 to 1931, the net price received by the producer was \$2.16 per 100 pounds, I think?—A. Yes.

Q. And then, you gave it for the following two years?—A. Yes.

Q. Now, that net price of \$2.16 per 100 pounds was less freight?—A. Yes.

Q. And it was the average price of what the producer received for sweet milk, and also for the surplus.—A. Yes.

Q. Have you any information that you could give the committee as to what price the distributors were retailing that milk for at the same time in Montreal?—A. Yes, I will give it to you right now—June, 1930, retail price in Montreal was 0.128 per quart—and it was paid to the producers 6.4 cents.

Q. And in 1931 and 1932?—A. 1929—would you like to have the price for 1929?

Q. No, just take the one you gave us—1930 and 1931; \$1.34 per hundred pounds you gave the producer received, 1931 and 1932; now, have you got prices per quart it was being retailed for?—A. I can't say.

Q. 1931 and 1932?—A. 1931 and 1932, 11 cents, June—in 1931 the price per quart was 11.4 cents; in June, 1931, it was paid 7.9 cents; in June, 1932, 9 cents.

Q. Was that the average during the term from June, 1931 to June, 1932—the average price per quart you were giving?—A. I think that all these are based on June prices.

Q. In 1932-33, you said that the producer received net \$1.05 per hundred pounds; now, how much per quart was it retailing for?—A. Well, you know it is pretty hard to tell you to-day the average retailing price.

Q. All right, have you the figure for June, 1932?—A. Yes; June, 1932, retail price 3.5 cents.

Q. The retail price?—A. The retail price 9.8 cents in June, 1932.

By Mr. Barber:

Q. The price paid to farmers?—A. 3.5 cents.

By Mr. Pickel:

Q. That is gross?—A. The retail price 9.8—price quoted the producers 3.5 cents.

By the Chairman:

Q. That is, laid down at Montreal?—A. Yes.

By Mr. Goulet:

Q. Is the farmer paying the express on that?—A. No, that is net.

By Mr. Tummon:

Q. Can you tell the committee the price per quart that milk is retailing at in Montreal at the present time?—A. It is pretty hard, because there is a great spread—disparity, in prices.

Q. You don't feel like saying that. Have you any information that there was a cut made recently to the consumer in Montreal?—A. Yes, since a month. Our farmers, the farmers shipping to our association, since a month have had the price cut—they are coming to the cutting.

Q. Let me get that; in the first place there was a cut to the consumer, was there?—A. In the first place there was a cut to the consumer—you mean this winter, yes, recently.

Q. How much, do you know?—A. In some cases cuts of nearly 40 per cent.

Q. You don't know how much per quart?—A. Yes, 40 per cent—you push me in a corner.

Q. No, I am not trying to push you in a corner—some of the other gentlemen are trying to do that.—A. There is milk sold to-day at \$2.50 per hundred.

An Hon. MEMBER: He wants to know the price to the consumer per quart?

The WITNESS: It means 6 cents—yesterday at the Thrift Store.

By Mr. Tummon:

Q. In the bottles that are left at the door?—A. Yes, per quart. I think there are some chain stores who are selling milk at six or five per quart.

Q. Delivered?—A. Well, no, they have to go to the store; but if you are giving me—

Q. What I was trying— —A. If you would give me fifteen minutes we will find out very precisely.

Q. All right, Professor; just one more question: When the milk was reduced to the consumer in Montreal recently, say this winter, was that reduction passed on to the producer?—A. Reduction passed on to the consumer.

Q. Did the distributor reduce the price to the consumer, and then turned around and took it off the producer?—A. That is what they are doing now due to the cut of milk to the consumer, now they are starting to cut to the producer.

Q. Just recently?—A. Yes, since about three weeks, we are told through a monthly report in our office—and my secretary told me they had started to cut—we have their figures on the records.

Q. Could you file with the secretary of the committee any evidence that would bear that out?—A. Bear that out—what do you mean?

Q. Any statement?—A. I would send you my report.

Q. That would be fine.—A. I will send you two dozen reports. They have started to cut. We will send you that. Here is a note prepared by my secretary yesterday—my secretary brought me that note before leaving—February; quoting his figure from February.

Q. This year?—A. Yes, February last—price paid first February was \$1.35 gross price. He marked in the book \$1 average and he said the price has been cut.

Q. Average?—A. Yes, \$1 average since the price has been cut. We have seen the cut, but I will send to the secretary.

Mr. Dupuis:

Q. Now, Mr. Toupin, while you have that book in hand; what was the price in 1929 to the consumer and to the producer?—A. 1929, retail price 12·8 cents.

Q. Paid to the farmers how much?—A. Seven cents.

By Mr. Bertrand:

Q. Mr. Chairman, I would like to ask the Professor if he knows the average production of cows; he stated that the average production of cows in his district was 8,000 pounds of milk—A. In the society.

Q. In your society; and with added members on, 6,000 pounds of milk?—A. Six thousand pounds of milk, that is with outsiders—I have said that I think the average is around 6,000 pounds of milk.

Q. Precisely; now, do you know the average production of cows in the province of Quebec?—A. Well, it is hard to answer, because we are always quoting old figures, and I think that we have improved our average herd; we should not be far from 5,000, for the whole province.

Q. You said a moment ago—where did the distributor find his milk in October, November and December of 1932; I think it is well to inquire about that—have you any idea as to where they found that?—A. From trucks here and there.

Q. Do you mean the answer to that is this bootlegging of milk?—A. There was some bootlegging of milk on the Montreal market last fall.

The CHAIRMAN: Gentlemen, are you through with the witness?

By Mr. Pickel:

Q. Have you any idea of the percentage of surplus milk reaching Montreal?—A. Here is a report you should have in your hand and you will have the answer about surplus. Dr. Bond of Cornell university has a long tableau after studying the surplus on Montreal market—it will be long to answer that question.

Q. Can you answer it in a short way?—A. I should view this tableau—I received that report.

By Mr. Dupuis:

Q. Maybe you would file the report?—A. I will leave my report in the hand of the Chairman.

By Mr. Pickel:

Q. All right, now, Professor; with regard to buttermilk which the dealer pays the farmer nothing for, what does he do with that?—A. I suppose that he is drying this buttermilk.

Q. Do you know what he gets for it?—A. Too bad—he received quite a lot. I have not my feed prices.

Q. What is the price of dried buttermilk to-day?—A. Fifty dollars per ton—fifty or sixty dollars per ton.

Q. For buttermilk?—A. Dried.

Q. I know; the great consumption of buttermilk is as buttermilk?—A. I don't know—I have no idea at what price they sell buttermilk.

Q. What is done with the separated milk surplus?—A. With the separated buttermilk—

Q. No, the separated milk—surplus milk?—A. They transform that into butter and cheese.

Q. Butter and cheese; what is done with the by-product with the milk and skim milk?—A. With the skim milk? They dry the skim milk; they reduce it in powdered form—powdered skim milk.

The CHAIRMAN: Are you satisfied, gentlemen; shall we release the witness?

Thank you, Professor.

FATHER L. LEBEL, called and sworn.

The CHAIRMAN: I think we are very much honoured to-day, gentlemen, in having Father Lebel, of Montreal, with us, and I will ask you to give him your very best attention. He has kindly consented to speak to us in English, and I know it is a little more difficult, possibly, than it would be for him to speak in his own language.

Father LEBEL: Well, Mr. Chairman, I was very glad to hear that parliament instituted this commission to inquire into the milk situation, because it is an open commission, an open inquiry. We had in Quebec an inquiry on the situation of milk one year ago, but it was kept behind closed doors so the public knew nothing of it. This will have a good influence on public opinion; but I think that there is a danger in this inquiry because, as I read in the beginning, you have limited your inquiry on a spread between the retail price and the price paid to the producers. For weeks and weeks the readers and the consumers will read in the newspapers, testimonies on the great profits made by dairies, that they exploit—I say, that some of the testimonies will try to find that these dairies exploit the public; and what will be the conclusion in the mind of the consumers, actually; especially in this crisis of the working classes? The conclusion will be the price is too high, we pay too much, we must lower the price; and then, what will be the situation of the farmer?

I understand that that inquiry has been instituted precisely for restoring the situation of the farmer. Now, if the price of milk is lowered the farmer will not receive more then, he will receive less; because the big dairies will find ways to take their profit on the farmer. That is why I would suggest that your committee study a little—it is not necessary to make long observation, but study a little—the cost of production, and spread it before the public—spread the idea that the price of milk, the price of production of milk from the farmers is pretty high; and that is the reason why I suggested to have Mr. Toupin to speak, to say something about the cost of production. I think really, personally, that the spread since two years at least, the spread is too great. I don't know what your inquiry will reveal. It is a little too large, I think, and it is easy to have an idea of it.

This year—I quote here from the Milk Plant Commentary of New York, I think; it is an American magazine:

In January of this year in the whole state of Massachusetts, in the cities of Boston, Chelsea, Lawrence, Lowell, Lyn and Springfield, the retail price of the quart of milk was eleven cents, the same as it was in Montreal during January. Now, the prices paid to the producers during that month; the fixed price was \$2.74 to the 100 pounds, and during the same month in Montreal the fixed price was \$1.60. You know there is \$1.14 difference between these cities of Massachusetts, and the city of Montreal. I think that the spread is a little too much. If we take New York, New York in January, the retail price was 11 cents as in Montreal, and the price paid to the producers was \$2.45; a good lot, 85 cents more than we were paid here.

I could cite many others, but it will remain true that if you do not study a little the cost of production of the farmer the conclusion will be that the price is too high. In reality I think that the price actually paid in Montreal, and in the other cities of Canada, is not too high; it would be, I would say rather too low. The price at Montreal actually is 9 cents. We had January at 11, February at 10, and we are at 9 actually; and will be forced by public opinion to lower it during the summer months, and the average will be less than 9.

Now, if we have to find similar prices to retail prices in former years we have to go up to 1912 when the retail price was 8.6 cents; in 1913 it was 8.8 the quart, and on that year the price received by the farmer was 5 cents, and

the price of the distributor was 3·8 cents. And, if you remember, in that time nobody complained that the price then paid was too high—8·8 cents; suppose that in the winter months the price was 11 and 10, and that in the summer months the price was 8 and 9 and nobody complained that the price was too high, and then the farmer received 5 cents, and the distributor 3 cents and 8. Now, is it difficult to state, that since that time the price of production for the farmer and for the distributor has been augmented. It is very easy. It is since that time that all these regulations have been established through the intervention of governments, federal, provincial and municipal. The boards of health in the name of hygiene and to protect the health of the consumers have saddled regulation upon regulation—the stables had to be arranged to give to each head of cattle a certain space in cubic space and a certain surface for ventilation; cement floors, and they must be whitened with chalk very often; they had to have separated dairies with wells; they had to have refrigerators, and you know that this year they must have three tons of ice for each head of cattle; and they have to pay the price of cans and pails which have doubled since that time; and transportation has augmented. There is the test of tuberculin which has been established since that time. Pasteurization has been established since that time; the obligation of bottling the milk, and so on. And we may say that since that time taxes have quadrupled, the price of machinery has doubled. So, since 1913, it is evident that the cost of producing milk for the farmer has surely augmented, as has increased the cost of distribution. I do not speak against these regulations. They are very good. They have produced the effect which was remarked in your first session that actually we have on the market a far better milk, a far better product, which has increased consumption, and which had a good influence on health. But who must pay for all these expenses, who must pay? These regulations were that common sense and equity require that the consumer must pay, because good. They have imposed on farmers and distributors a greater cost. I say it is in his favour that all these regulations were imposed.

Now, the opinion has been spoiled—the opinion of the public and the opinion of the consumers has been spoiled, in Montreal at least, by an association of farmers who have created the opinion in Montreal that they were exploited by the great dairies, that it was easy to deliver milk at a lower price than was paid them. You remember after the strike, and before the strike, that association held many assemblies in Montreal saying that it was possible to deal in milk at a lower cost, and since that time they have experienced by this that it was not so easy—that it is a very costly thing to retail milk in Montreal. That same association was the cause of a loss of \$117,000 bankruptcy—\$55,000 of milk not paid. They have experienced by this that it is not so easy. But I say that the opinion of consumers has been spoiled in Montreal, and that it would be necessary to recreate that opinion. I say for myself, to pay ten cents a quart, or eleven cents a quart for milk, is not too high, if we compare the price which is paid for sparkling water. If you take a bottle of sparkling water, you will see that it takes from five to seven or eight bottles to make a quart. Now, nobody has any objection to paying five cents for a bottle of sparkling water; so that the consuming public of Montreal pays from 25 to 35 cents a quart for simple water, mixed with a little sugar, and a little essence. Yet, the public finds itself too poor to pay ten cents for a quart of milk, which is the best and most hygienic food that exists, actually.

Mr. Toupin told you that the price of feed in his society was about ten cents, and that he would state the price or cost of production of milk in his society was from \$1.28 to \$1.55. Remember that his society is a special society in which the average of cows is very high—8,100 pounds a year. If we took the average of the province of Quebec, I think we must see that the cost of pro-

duction is a little higher. Remember in the year 1930 under Hon. Mr. Perron, Minister of Agriculture of Quebec, there was an enquiry into the price of producing a gallon of milk in the province of Quebec. The result was that the average was 32 cents. I think that the enquiry was made a little too quickly. In the county of Argenteuil, in 1931, a more minute enquiry showed that the cost of production in that county was about 25 cents.

By Mr. Boyes:

Q. Per gallon?—A. Per gallon. And you know the county of Argenteuil has the reputation of being the best organized in regard to dairy production. The figures have not appeared for this year yet, but I think it is probable they will be a little lower. It will be found a little lower, about 22 or 23 cents. I think it would be a good thing if these figures were known and spread among the public in order that the public may see that the farmers are not actually paid as they should be paid. If we continue to pay the farmers as they are paid actually he is producing at a loss. If that continues before three or five years have passed, or before long, the city of Montreal and all cities will be crowded with those farmers who will come to aid the citizens to consume their own wealth.

I think that the responsibility for the lowering of prices is not with the large companies. The large dairies of Montreal are ready to pay the farmer the price he deserves, because they have repeated to me many times: "We would pay the farmer 20 cents a gallon or 30 cents a gallon, or forty cents a gallon, only we would have to raise the price to the consumer; but we are forced to lower our prices by the little dairies." You know, in Montreal we may classify the dairymen under three headings: the large dairies, who have a fixed price, higher than the others, the other little dairymen who insist on fixing the prices and keeping them a little lower—generally their price is one cent lower—and then there is the little dairymen who are cutting the prices, as it was stated during this inquiry. Lately, some of these little dairymen have sold their milk at such a price that the chain stores and some grocery stores were able to retail the milk at six cents a quart. It is impossible for a dairy to be able to retail milk at such a price, and pay the farmer. It is possible there must be some bootleg milk moving in order that they may be able to do that. They do not follow regulations; they do not pay the farmers, or they pay a ridiculous price. The remedy would be to have the Board of Health execute its rules. I will state before this committee that some dairymen in Montreal—and very serious dairymen—say if the Board of Health were free to act, and to do what they would do, and what they should do, those little dairymen would be put out of business. But they cannot. There are dairies in Montreal who have not complied with the regulations, and who continue to sell milk because the Board of Health is interfered with in its work. The Board of Health is interfered with by politicians and by aldermen. Supposing a farmer wants to introduce milk into Montreal, and is prevented by an inspector, what happens? Why, he goes to the deputy and the deputy comes around and says to the inspector: "Don't be too zealous, my man." Some of these dairies should not be allowed to distribute; they do not observe the rules. Along with that, I think the price of butter and cheese has been lowered. I think the price of milk has not always been linked up with the price of butter and cheese. It seems to me that in New York, actually, the price of milk was lower this winter than it was in Canada, yet the farmers there received nearly \$1 per 100 pounds more than we received in Canada. I think that a marketing board that would keep the price of cheese and butter higher in Canada would, at least, help to keep the price of milk higher. There are two remedies which would help the farmer in those circumstances. One of them would be to have the government enter into a new treaty

with the United States. You know the great disorganization in the marketing of milk has been brought about by the Hawley-Smoot tariff, which barred the exportation of our milk, more or less, to the United States. I think that the government should try to have that tariff lowered. I think that Mr. Bennett and the government is contemplating having a treaty renewed, and so the committee should insist that Mr. Bennett or the government should give special consideration to that question. I think that the real remedy would be to have an association of all the producers and have a concentration of wholesale reception of all the milk, as it was instituted in some of the states in the United States. If all the producers pool their milk, or bring it to a central reception point, then the purchaser will be obliged to come to that pool and buy milk, and it will be the producer who will fix the price.

Now, before terminating, I should like to make an observation on what was stated at the first meeting by Mr. Singleton. Mr. Singleton said:

On the 16th of February, I wired to the officers of the Dairy Branch, in the different parts of Canada, asking them to give me the price per 100 pounds of milk to the producer for milk delivered at the distributing point, and the price to the consumer for quarts of bottled milk.

He then gives a table of the price paid to the producers, the average price paid to the consumer, and then the proportion received by both. I cannot speak for the others, that is, the other cities, but for Montreal, I find there is a little mistake. They say that on the 17th February the average price paid per quart by the consumer was nine cents, and the average price paid per quart to producers was 3.5 cents. Well, if we take 9 cents as the average price paid by the consumers—it is a real average, because it is the fixed price, the official price of the larger dairies to the consumers was ten cents. Ten cents was the price of the large dairies, and nine cents the little dairies, and the-wholesale was eight cents. So, it was the average. Now, if nine cents was a real average, they should take to compare what was paid to the producer, the average. When they say that the average paid to the producers was 3½ cents, it is the fixed price; it is not the average. First it was not 3½ cents. 3½ cents would mean 14 cents a gallon; but in reality the fixed price was 13½ cents. Secondly, that was not the average paid to the farmer. The average must have been only twelve cents. Now, if you compare the proportion received by the farmer and that paid by the consumer, you will see that the proportion will not be 38.89, which is nearly 40 per cent, but it would be only 33, just a third of the price, and I think that we should correct that for Montreal. I do not know how they have stated it for the other cities.

Now, I must submit you a puzzle—not a jig saw—I think that the time has come for the puzzle. When the large companies—when the dairymen of Montreal lowered their prices in the beginning of February, when they lowered from 10 to 9, the dairies of Montreal, dairymen of Montreal made some proclamations, one in French which appeared in the French papers and one which was given to a reporter of the Montreal Star. Now, in the proclamation given to the French papers they say: "Our profit during the last year was only a little fraction of a cent a quart—a little fraction of a cent per quart." Now, in the other paper they say: "We have been obliged by competition to lower our retail price by one cent, from 10 to 9 and declaring that the price paid to the farmer of 14 cents a gallon delivered to the city would be the same." So they declare that all their costs would remain the same, but the margin of profit will be a little smaller. It is a puzzle for me to understand that if during the whole of last year, when the spread was 6.5, their profit per quart was only a fraction of a cent, now that the spread is only 5.5 per cent, how their margin is only a little smaller. They should say, if the first proclamation is true, that they sell at a loss. There is something in the books which were

presented to Mr. Bond, and Mr. Bond recognized in his report that really, according to the figures which were presented to him, there was only a little fraction of a cent of profit per quart. I don't know how—it is a puzzle for me. There can be no explanation, I think, but apparently for me there is a contradiction between those proclamations.

Now, if you have some questions, I will be ready to answer.

The CHAIRMAN: Any questions?

By Mr. Sproule:

Q. Father Lebel was dealing with the price of milk, spread of milk, in 1910, if I remember, or 1912. I think if I remember he was quoting the producer was getting five cents and the retailer was retailing for eight. Are the restrictions in Montreal the same now as they were then?

Mr. GOBEL: He told us of changes.

The WITNESS: Oh, no, there were regulations, too.

By Mr. Sproule:

Q. What I had reference to then was, did the city require that it be pasteurized at that time?—A. No. Pasteurization was passed only in 1925, and in Toronto I think it was passed in 1920. Nearly all those regulations have been passed since that time; so that cost of production has been increased and it is impossible—I actually remember that we are paid, were supposed to be paid three cents a quart, when others were paid five cents a quart.

Q. Yes; would you say that the cost of production was similar then to what it is now?—A. The cost of production? I think that the cost of production was then lower.

Q. Lower than it is now?—A. Lower than it is now. It is true that the average of pounds per cow has increased, and this is one of the factors which could have caused a lowering of production; but there are many other factors which have worked in the other sense. I think that actually the cost of production of a gallon of milk is higher than it was in 1913.

By Mr. Mullins:

Q. Has it improved the health of the people, Father, all these new regulations and these restrictions such as pasteurization?—A. I think, personally, that it has.

Q. I have in mind that the Professor spoke in Manitoba, in a Dairy Association, and he said that they had fed three calves with Agricultural College pasteurized milk, and that the three calves died. I cannot understand—in the old days I was raised on one cow, and I remember in the town of Lindsay they had none of these restrictions or this pasteurization regulation, and it did not affect my health. I am so far sound, and the milk did not affect me; so I think probably there are too many restrictions placed around the milk situation, that is reacting back on the cost to the farmer.—A. Yes; but you were on a farm. You could take the milk fresh. In the cities actually those who drink the milk now drink the milk of yesterday—not of yesterday, but of the day before yesterday. And they say that in great centres as Montreal, it is better for the general health to have that milk pasteurized. It loses, I think, for me, I think that it loses something. It loses something.

The CHAIRMAN: Vitamins.

The WITNESS: Especially in the taste, and a little in vitamins. But in general, if it were not pasteurized, I think that germs and bacterias and every kind of bad germs would kill men.

By Mr. Tummon:

Q. Father, do you confirm the evidence of Prof. Toupin, that the recent cut in price to the consumer in Montreal is being passed on to the producer?—A. No, I don't think so. For me—it is true that it is only one week, and they receive their pay only fifteen days after, so it is difficult; but we have their promises. I will read that declaration, a declaration that the price paid to the farmers of 14 cents a gallon (which is not 14 cents, it is 13½ cents), delivered to the city station, would remain the same. But we shall see at the next pay if they stand to their promises.

Q. What has been the history in the past; where there has been a cut to the consumer, has it invariably been passed on?—A. Invariably; and it is the great difficulty of agriculture. Formerly, let us say, twenty years ago, the farmer received for his product in general—for the general products of the farm, received about sixty or seventy per cent of the price paid by the retailer. I do not say for the milk only, but in general. Now, of that price the intermediary received only from thirty to forty per cent. That part which the intermediary received has increased until the last crisis, to fifty per cent. Economists, according to the statistics, say at the moment—in 1929, the intermediaries received about fifty per cent of the price paid by the retailer. Now, since that crisis, the prices of the farmer have been lowered; the retail prices have been lowered forty per cent. If that loss of forty per cent had been sustained equally by the intermediary and by the farmer, the farmer would be in a bad state, but he would not have to complain. In reality, the part of the intermediary has not been lowered. His fifty per cent has not been decreased; so the whole lowering has been sustained by the farmer who receives actually from twenty to thirty-three per cent of the prices paid by the retailer. In general—I do not say for some—for butter you receive more, but we will say for the average, he receives from twenty to thirty-five per cent—to thirty-three per cent of the retail price, and this is a great evil.

Q. Just one more question. Did the producer receive a cut in his price recently?—A. Yes. In the beginning of February when the price went down from the—the fixed price went down from eleven cents to ten cents, it was lowered from \$1.60 to \$1.35.

Q. To \$1.35—A. Yes.

Q. At the same time then that the cut was made to the consumer from eleven to ten cents?—A. Yes.

Q. There was a reduction made to the producer?—A. Yes.

Q. From \$1.60, is it?—A. Yes.

Q. To \$1.35?—A. To \$1.35; and when they announced that it was going down from ten to nine, naturally I was expecting that they would lower the price of the farmer; but I think that one of the effects of this Committee—of this commission—was that they did not do that. It was the first good effect.

By Mr. Spotton:

Q. One point. We are having quoted the figures of milk per gallon that the farmer receives in the country instead of the consumer at his door. Now, that figure is \$1.35. The other day we were told about the fearful and wonderful working of a mysterious surplus, and they told us that that worked out that the farmer did not get that \$1.35, that this surplus pressed it down to \$1.05. That is, with twenty-five off Montreal it would leave \$1.10. The working of this surplus pressed down the returns to the farmer I believe, in some cases, as low as 90 cents. I would like to have your opinion on that point. That is a big charge?—A. I could not give you figures on that precise point, because we have not to deal with the farmers, and I have not seen their bills.

Q. But they do not get \$1.35?—A. I have heard that many of them—the secretary of the Board of Health of Montreal yesterday told me that a very good farmer in the eastern counties had very fine stock and he receives actually, after deductions made, 7.5 for his milk, and he says that man will surely go down before long if it continues.

By the Chairman:

Q. I would like to ask a question based on one of the professor's recommendations. He says that it should be possible to regulate the flow of fluid milk on to the Montreal market by means of a producers' association that would take care of the surplus where it was produced. Do you think that is the proper method to use?—A. I think that an association which would control 90 per cent of the producers would be a splendid thing.

Q. Would it not be a good thing, possibly, just to leave the market a little bare all the time so the price could go up. If they can control the amount of milk going on to the market could not they leave it a little bare so as to enhance the price unduly?—A. Bare?

Q. Short of milk?—A. I do not see how it would be possible to have the market short.

Q. How far should the cost of production enter into the fixing of the price to the producer, and how far should the law of supply and demand apply there?—A. Well, I really do not understand the question.

The Committee adjourned to meet Thursday, March 9, 1933, at 10.30 o'clock.

REPORT OF PROFESSOR G. TOUPIN SUBMITTED TO THE OTTAWA PARLIAMENTARY COMMITTEE CONDUCTING AN INQUIRY INTO THE MILK INDUSTRY, MARCH 7, 1933

OUTLINE

I. Present situation respecting milk produced in the district of Two-Mountains and sold on the Montreal market:

1. Average yield per cow as indicated in returns from 42 members of our Association.

Probable average yield in the district.

2. Average feed costs per 100 lbs. of milk.

3. Average net prices per 100 lbs. of milk.

4. Loss per 100 lbs. of milk, estimated according to the formula showing the relationship of feed costs to total costs.

Feed costs 45 to 55

Total costs 100 to 100

II. Influences of milk prices:

(a) On stock-raising methods.

(b) On feeding methods.

(c) On farm husbandry, in general.

(d) Conclusions.

III. Grievances of the milk producers of the district of Two-Mountains.

IV. Remedies proposed:

(a) Direct remedies.

(b) Indirect remedies.

I.—Present situation respecting milk produced in the district of Two Mountains and sold in the Montreal market:

Condition of milk production sold on the Montreal market and estimated by monthly reports sent to the Agricultural Institute of Oka by a group of farmers who record both milk production and feeding and who are members of a Society of Animal Production since June, 1926; and estimated also in surveys carried out amongst the farmers who were formerly members of the Society of Animal Production of the County of Two Mountains and who withdrew for one reason or another.

1.—Average yield per cow:

(a) For 42 members of our association (June 1931-32):

Cows	488
Pounds of milk	8,111
Percentage of fat	3.47
Pounds of fat	281.73

(b) Probable average yield in the district:

6,500 pounds of milk; 3.5 per cent of fat; 227.50 pounds of fat.

2.—Average feed costs per one hundred pounds of milk:

(a) June, 1931, to June, 1932, 0.73 per 100 pounds.

(b) June, 1932, to June, 1933, 0.70 per 100 pounds.

(c) October, 1932, to October, 1933, 0.70 per 100 pounds.

The average price of concentrates per ton is:

(a) June, 1930, to June, 1931, \$25.84.

(b) June, 1931, to June, 1932, \$23.

(c) June, 1932, to June, 1933, \$23.

The average quantity of concentrates per cow for a production of 8,000 pounds of milk is 2,300 pounds:

(a) 1,610 pounds of farm grains, 70 per cent	\$18. . .	\$14 49
(b) 690 pounds of concentrates, 30 per cent	\$25. . .	8 00

\$23 09

3.—Average net price. The average net price paid for 100 pounds of milk:

(a) June, 1930, to June, 1931, \$2.16.

(b) June, 1931, to June, 1932, \$1.34.

(c) June, 1932, to June, 1933 (probable), \$1.05.

Detailed statement of milk prices paid to the farmers for the year June, 1932, to June 1933:

	Market	Farmers
(a) 1932: June, July, August, September, October (5 months)	\$1 35	\$ 95
(b) 1932: November (1 month)	1 35	1 20
(c) 1932: December. 1933: January (2 months)	1 60	1 35
(d) 1933: February, March, April, May (probable, 4 months)	1 35	1 00
Approximate average price for the year, \$1.05.		

4. Loss per hundred pounds of milk estimated according to the formula showing the relationship of feed costs to total costs:

Feed costs .. . . .	.45 to 55
Total costs	100 to 100

Milk Price:

(a) June, 1932-1933	\$1 05
Feed costs per 100 pounds	70

Total costs per 100 pounds of milk:

(b) 70×100	\$1 25
45	
70×100	1 28
55	

Probable loss, \$0.23 to \$0.50 per 100 pounds.

II.—Influence of milk prices:

Situation very much changed for the worst since June, 1932:

1. Milk prices for the year 1931 have not to date exercised any influence that is really apparent so far on,

(a) Stock-raising, (b) feeding.

In proof whereof:

(a) Stock calves are as numerous and in as good condition as in past years,

(b) General return maintained. However, 15 of our producers report the return shows a tendency to fall off.

2. Influence on farm husbandry in general:

(a) For 1931: Painful as regards all.

(b) For 1932: Discouraging as regards some and disastrous as regards others.

3. Conclusions:

(a) The present state of prices is conducive to considerable disturbance as regards milk production for the Montreal market.

(b) The present state of prices should milk producers and purchasers to find means of avoiding a crisis in this field, a crisis that would affect the interests of both parties.

III.—Grievance of milk producer:

Outline of a questionnaire relating to an inquiry into the grievances of milk producers selling their milk in a raw state in the great markets of the province, and the best measures to take in order to correct these grievances:

GRIEVANCES OF THE PRODUCERS

In our opinion, what are the principal grievances of the producers in respect of the present market:

Replies:

1. Absence of a contract binding producers and purchasers; with the result that the producer is liable to lose his market at any time.
2. Insolvency of a certain number of milk distributors and milk distributing companies, hence partial or total loss of production value for two or three months. Sometimes the loss runs from \$200 to \$500.
3. Fixing of milk prices at a figure much below production costs. A gallon of milk costs an average of 25 cents and sells at about 15 cents.
4. Unjustified cutting of prices, by sending part of the milk shipped to the creamery.
5. Lack of control by the producers over milk tests.
6. Irregular payments for milk: a situation that causes serious inconvenience to the producers.
7. Being prevented from dispensing of a milk surplus at will, even when the purchaser says the market is overstocked.

8. Refusal to accept delivery of milk without prior notice, and not giving producers any time to correct any faults on their part, in consequence of which the producer sometimes loses his market whole weeks and is out of pocket considerable sums of money.
10. Absence of a satisfactory basis in respect of the payment of the price of milk.

PROPOSED REMEDIES

(a) *Direct:*

1. Formation of an association of milk producers—provincial and federal.
2. Drafting of a contract between the Producers' Association and the buyers.
3. Fixing of the buying price of milk from the producer and the selling price to the consumer by a provincial or federal commission composed of producers, consumers, buyers and experts.
4. Passing of a provincial or federal act to give force of law to the decisions of the Milk Commission.
5. Passing of a law to control the degree of solvency of milk buyers.
6. Fixing of milk prices twice a year:
On October 1, for eight winter months.
On June 1, for four summer months.

(b) *Indirect:* (To further strengthen the foundations of dairy-farming).

1. The establishment in each county of cattle-raising societies, preferably of the cooperative type, with the following objects:
 - (a) By the use of better methods, to improve the average yield per cow.
 - (b) To sell market milk or dispose of it wholesale.
 - (c) To convert milk without the aid of any intermediary.
2. The general improvement of dairy methods.
3. The formation of a corps of dairy experts by devoting a larger part of the curriculum to the fundamental sciences on which dairying is based, and adding thereto courses in general agriculture, animal husbandry and political and rural economics.

(Signed) G. TOUPIN.

IMPORTANCE OF THE MILCH COW DURING THE PRESENT DEPRESSION

THOUGHTS AND SUGGESTIONS OF PROFESSOR GUSTAVE TOUPIN, OF THE OKA INSTITUTE

In a first article, published in this paper in December, 1932, Mr. Toupin asked the following questions: "What action must milk producers take in the face of the price decline? Is there a way out? What are the indications for 1933? Is it possible to make a little money?" And he concluded by stating: "Twenty farmers of the county of Two-Mountains, who, for a considerable time past, have kept a record of the milk yield and the food consumption of their herds, are going to provide the answers. Their answers, set out in tables, are summarized and commented hereunder.

TABLE 1.—Average milk yield to 20 herds in the County of Two-Mountains and average corresponding quantities of various foods consumed.

Members	Pounds of milk	Fodder \$6	Succulents \$4	Concen- trates \$23	Pasturage \$8
		lbs.	lbs.	lbs.	
Albert Laframboise.....	10,790	3,340	4,297	2,488	.....
Alphonse Leduc.....	10,301	1,791	5,560	2,213	.....
Arthur Daoust.....	9,817	2,979	4,822	3,183	.....
Emile Groulx.....	9,766	2,486	2,738	3,150	.....
St. Laframboise.....	9,625	4,839	4,210	4,174	.....
Albert Daoust.....	9,137	2,797	4,361	2,626	.....
Ovila Laurin.....	8,525	3,731	5,782	2,321	.....
A. P. Belisle.....	8,221	3,993	6,667	1,685	.....
M. Charbonneau.....	8,029	4,395	3,838	2,155	.....
Romeo Laurin.....	7,855	2,847	4,262	2,923	.....
Jos. Dagenais.....	7,673	4,567	10,069	2,147	.....
Jos. Bertrand.....	7,177	2,511	5,780	2,343	.....
Art. Campeau.....	7,156	4,420	5,870	2,236	.....
J. Lalonde.....	6,936	2,888	6,212	1,773	.....
Grey Nuns.....	6,836	3,048	5,797	1,697	.....
Sisters of the Congregation.....	6,667	3,941	5,762	1,839	.....
Art. Meilleur.....	6,611	4,433	3,489	2,366	.....
H. Lamarche.....	6,534	3,105	4,472	2,226	.....
F. Lamarche.....	5,755	4,543	6,656	1,789	.....
C. Masson.....	5,421	3,797	5,613	652	.....
Average amount.....	7,941	3,518	5,344	2,299	.....

Table 1 shows the average milk yield per cow and the average corresponding quantity of various foods consumed during the year extending from June, 1931, to June, 1932.

Table 2 shows the gross receipts per cow expected by these same farmers during the twelve months to follow, according to the selling price of milk and the average yield of their herds. It also gives the feed costs based on the total production per cow as well as on 100 pounds of milk, assuming that the various herds consume indential quantities of feed to give the same yields. Finally, it shows the remuneration for labour based on the yield per cow and according to the price of milk.

SELECT STANDING COMMITTEE

TABLE 2.—Gross receipts, feed costs and remuneration for labour to be expected by these 20 farmers, according to the selling price of milk and the average yield per cow

	Pounds of milk	Receipts when 100 lbs. of milk sell for			Feed costs		Remuneration for labour when milk sells for		
		\$1.25	\$0.85	\$0.70	Total	100 lbs. of milk	\$1.25	\$0.85	\$0.70
		\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.	\$ cts.
Albert Laframboise.....	10,790	134 87	91 71	75 53	56 59	0 52	78 28	35 12	18 94
Alphonse Leduc.....	10,301	128 76	87 56	72 11	49 93	0 49	78 83	37 63	22 18
Arthur Daoust.....	9,817	122 71	83 44	68 72	63 17	0 64	59 54	20 27	5 55
Emile Groulx.....	9,766	122 07	83 01	68 36	57 17	0 59	64 90	25 84	11 19
St. Laframboise.....	9,625	120 31	81 81	67 37	78 99	0 82	41 22	2 82	-11 62
Albert Daoust.....	9,137	114 21	77 66	63 96	55 30	0 60	58 91	22 36	8 66
Ovila Laurin.....	8,525	106 56	72 46	59 67	57 44	0 67	49 12	15 02	2 23
A. P. Belisle.....	8,221	102 76	69 88	57 55	52 67	0 64	50 09	17 21	4 88
M. Charbonneau.....	8,029	100 36	68 24	56 20	53 62	0 67	46 74	14 62	2 50
Romeo Laurin.....	7,855	98 18	66 76	54 98	58 65	0 75	39 53	8 11	- 3 67
Jos. Dagenais.....	7,673	95 91	65 22	53 71	66 51	0 87	29 40	7 29	-12 80
Jos. Bertrand.....	7,177	89 71	61 01	50 23	54 03	0 75	35 68	6 98	- 3 80
Arthur Campeau.....	7,156	88 45	60 82	50 09	58 71	0 82	29 74	2 11	- 8 62
J. Lalonde.....	6,936	86 70	58 95	48 55	49 46	0 71	37 24	9 49	- 0 91
Grey Nuns.....	6,836	85 45	58 11	47 85	48 25	0 72	35 20	9 86	- 0 40
Sisters of the Congregation.....	6,667	83 33	56 67	46 67	52 48	0 79	30 85	4 19	- 5 81
Art. Meilleur.....	6,611	82 64	56 19	46 27	54 46	0 82	28 18	1 73	- 8 19
H. Lamarche.....	6,534	81 67	55 54	45 74	51 84	0 79	29 83	3 70	- 6 10
F. Lamarche.....	5,755	71 94	48 91	40 38	55 27	0 96	16 67	6 36	-14 89
C. Masson.....	5,421	67 76	46 08	37 95	38 10	0 70	29 66	7 98	- 0 15

CONCLUSIONS AND LESSONS TO BE DRAWN FROM THE ABOVE TABLES

1. An increase of yield per cow tends to lower the cost of production by reducing feed costs. While, with average yields of 5,000 to 7,900 pounds per cow, the cost of feed ranges from 70 cents to 96 cents per 100 pounds of milk, according to the skill of the farmer, it ranges from 49 cents to 67 cents per 100 pounds of milk for cows yielding from 8,000 to 10,000 pounds.

2. (a) With milk selling at \$1.25 per 100 pounds, cows yielding from 8,000 to 10,000 pounds meet their feed costs and give the farmer a return of \$58.62 for his labour. Those yielding from 5,000 to 7,000 pounds pay their feed costs also, but give the farmer 47 per cent less return for his work; (b) With milk selling at 85 cents per 100 pounds, cows yielding from 8,000 to 10,000 pounds pay their feed cost and give their owner a return for his labour of approximately \$20 per cow. Cows yielding from 5,000 to 7,900 pounds, while covering their feed costs, provide a return for labour of only \$6 or \$7 per head, which is approximately 60 per cent less; (c) when the price of milk is 70 cents per 100 pounds, cows yielding 8,000 pounds and more pay their feed costs and provide a labour return varying from \$2 to \$18 per head, while those yielding from 5,000 to 7,900 pounds can cover their feed costs only if hay and grain is purchased at prices lower than those stated above.

3. In short, high-yield cows (8,000 pounds and more) generally give the farmer the greatest return for his labour. They are in the long run his tax and mortgage payers, even in times of depressed prices.

4. From individual records of milk yield and feed consumption, we are in a position to state that cows yielding less than 5,000 pounds of milk hardly cover their feed costs when the price of milk is \$1.25 per 100 pounds. When milk sells for 85 cents and 70 cents the 100 pounds, such cows not only give the farmer no return whatever for his labour, but they secure from him their feed at 50 per cent below the cost of production. They are indeed ruinous animals, especially in times like the present.

We have endeavoured to show our cattle-raisers the possibilities of dairy farming at the price levels likely to obtain throughout the coming twelve months. In a third article we shall deal with the means to adopt in order to take advantage of them.

APPENDIX "A"

DOCUMENTS FILED TO DATE—NOT PRINTED

No.

1. Report of the Reorganization Commission for Milk, 1932-33 (England), Sir Edward Grigg, Chairman.
2. List of Dairy Associations and Officers (Canada, 1932, 1933).
3. List of Principal Milk Distributors in Canada (1933).
4. Report of the Provincial Dairy Commission, November 12, 1932 (Quebec).
5. Milk accounts rendered by several Montreal milk companies.
6. Minutes of Meetings between dealers and producers of Montreal.
7. Report of Milk Committee appointed by the Food Controller for Canada, 1917.
8. Extract from Minutes of Vancouver Council, Special Milk Committee, 1917.
9. Statement of agreed price and prices paid by four Montreal dealers.
10. Montreal milk by-law.



SESSION 1933
HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, MARCH 9, 1933

No. 4

Reference,—Milk and Milk Products

WITNESSES:

Dr. A. J. G. Hood, Department of Health, Montreal, Que.

Appendix "A"—List of Documents filed to date,—not printed.

Appendix "B"—Documents filed and printed.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

THURSDAY, March 9, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Blair, Bouchard, Bowen, Boyes, Brown, Carmichael, Cayley, Donnelly, Fafard, Gobeil, Hall, Jones, Loucks, McGillis, McKenzie, Moore, Motherwell, Mullins, Myers, Perley, Pickel, Porteous, Rowe, Seguin, Senn, Shaver, Smith, Spotton, Sproule, Stewart, Taylor, Thompson, Totzke, Tummon, Weese, Weir (*Macdonald*), Wilson.

The clerk read a letter from the Manager of Mail and Baggage Traffic, Canadian Pacific Railway Company, enclosing tariffs for milk transportation and a history of rates.

The chairman called for a report from the sub-committee on witnesses.

Mr. Tummon for the sub-committee reported that Dr. A. J. G. Hood, Superintendent of Food Inspection, Department of Health, Montreal, had been called for to-day.

Report concurred in.

Mr. Loucks moved that the sub-committee be authorized to take the evidence, in camera, of certain persons who did not wish to appear before the committee.

The chairman expressed doubt as to the competency of the committee to delegate such power to the sub-committee.

After discussion the motion stood.

The clerk was instructed to have printed the tariff of railway rates on milk and By-law No. 891 of the City of Montreal, concerning milk.

(See Appendix "B" hereto.)

Dr. A. J. G. Hood, Superintendent of Food Inspection, Department of Health, Montreal, was called, sworn, examined and discharged.

The witness agreed to file with the clerk, a list of truckers licensed to truck milk into Montreal.

The meeting adjourned at the call of the chair.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 9, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 o'clock, Mr. Senn presiding.

The CHAIRMAN: First of all I shall ask the Clerk to read a communication from the Canadian Pacific Railway regarding rates on milk. (See appendix).

We have as witness this morning, Dr. A. J. G. Hood, Superintendent of Food Inspection, Montreal Department of Health, upon whom I shall now call.

Dr. A. J. G. Hood, called and sworn.

By the Chairman:

Q. Will you give the clerk your full name and your position?—A. I have been superintendent of the Food Inspection Division for twenty-one years in Montreal; and I am at your service to give any information that I can possibly give.

Q. Have you any statement to make, Doctor, outlining the regulations?—A. I have copies of the milk by-law. This by-law was passed in June, 1925, and adopted by the council on July 20, 1925, asking for pasteurization of milk in the city of Montreal. There are two kinds of milk specified in this by-law, pasteurized milk and special raw milk, special raw milk as produced. There are regulations laid down in the by-law governing both kinds of milk, and governing the production of milk on the farm, and the inspection of those farms, and the sale of milk in all different phases in Montreal. This by-law calls for the tuberculin testing of all herds supplying Montreal with milk and cream; and, as you know gentlemen, this was a large order. Because when the by-law was passed, we were far from having all our herds tested. In 1918, only 1·48 of the herds were tuberculin tested. In 1925, when the by-law was passed, 26·19 were tested, and to-day we have 100 per cent tested supplying Montreal. So you see it was quite a large order both for the city and for the producers to get all their herds tested. By tuberculin tested herds I mean government test, Federal test. We accepted provincial tests while they were being made, but the provincial department decided to discontinue their testing, and to-day we just have the Federal test. We do not accept any private tests. I was speaking to one of your representatives this morning, and he said that the city of Montreal was in an enviable position, as being one of the few cities that could draw its milk supply from an entirely tuberculin tested field. We are extremely pleased to have succeeded as well as we did in getting this, not only from the city standpoint, but from the standpoint of improving conditions of public health throughout the country. As you gentlemen are aware, being representatives of a great many parts of Canada, in insisting on tuberculin tested herds, we did not only protect the city of Montreal, but we improved conditions for the producers; because when we get the producers to have clean herds it naturally resulted in the producer getting a clean and wholesome supply of milk for himself, and in that way we know tuberculosis is being reduced.

Q. Is Montreal in a restricted area, doctor?—A. Yes, sir. We have twenty-seven or twenty-eight counties around Montreal which are under the zone system. There are some counties south of Montreal that have been accepted. Not all their herds are tested, but all the producers are tested, all the milk and cream producers for Montreal, and the others are only waiting until they can get it.

Q. There is not any coming into Montreal from outside your restricted area?—A. Yes, but they happen to be from tuberculin tested herds.

By Mr. Tummon:

Q. I do not want to break in on the witness' evidence, but I believe the committee would appreciate it if you would start with the farmer, and give us a synopsis of the regulations necessary there, and then follow the milk straight into the city.—A. We have incorporated into our by-law here, a copy of the score card which we make for each farmer. This score card is based on the score cards in the United States, and all the score cards that we could procure. It contains one hundred points, divided into ten different sections, ten points for each section, and the farmers are scored accordingly. If the recorded score is eighty, or above, the dairy is excellent; seventy or above it is good; sixty or above it is fair; and fifty or above it is only probationary. Under fifty we cannot allow them to ship any milk into Montreal. We allow a few of them to ship cream if they submit a promise that they are going to improve conditions.

We have 4,500 regular milk producers shipping into Montreal—that is, outside the cream producers. This means we have nine veterinaries supervising those milk producers all through eastern Ontario and Quebec. These men score these farms once a year, and mark down whatever they find on the score, and we have a record in the office, each man's record, and before he can ship milk he has to apply for inspection. We send him a form which he fills out and answers, if his herd is federally tested; if he has a milk house; if he is able to have an ice supply; if he has a proper dairy barn, and all the other requirements. When we get this back, if it is satisfactory, we send our inspector to see this man, and he makes his score. We give him a copy, we keep a copy, and we send a copy to the firm that buys his milk. If he is not selling to any firm, we keep a second copy in the office, and when he does start to sell, the firm can get this copy of the score from us.

By Mr. Myers:

Q. I do not wish to interrupt this witness or any other witness, but we heard pretty much the same story last day; that is, from the standpoint of knowing what the regulations are that are put upon the backs of the farmers. Now, I should like to know this, and if we cannot get it, we might as well disband: here is a farmer who starts out with a hundred pound can of milk. Can anybody tell us what it costs to put that one hundred pound can of milk on the market, to deliver it to the consumer in Montreal?

The CHAIRMAN: Professor Toupin gave us quite a bit of evidence in that direction the other day. The evidence this morning is directed towards getting the regulations governing the production and sale of milk on the island of Montreal. I should like, if you can doctor, to have you tell us upon what those points are based that are scored by your veterinary inspectors.—A. Yes, sir, I can give it to you right here. It is divided into divisions and ten points are allowed in each division. "Absence of disease on physical examination, 2; approved tuberculin test within the year, 8; quality of food, 5; quality of water, 5; cleanliness of cows, 10; stable location (2), water tight floor, preferably concrete (3), tight ceiling and walls (2), tie and manger (1), facilities for

isolation—special stables (2)—total 10; stable ventilation (3), air space for each cow, 400 cubic feet (1), 500 cubic feet (2), 600 cubic feet (3); light: 4 square feet of glass per cow (4), 3 square feet of glass per cow (3), 2 square feet of glass per cow (2), 1 square foot of glass per cow (1), total 10; stable cleanliness: floor, ceiling, walls and manger (3), whitewashed or painted and disinfected every year; walls (2), ceiling (3), no other animal (2), total 10; condition of barnyard: drainage (4), removal of manure every day to the field (6) or 50 feet from the stable (3), total 10; milk room: mode of construction, ceiling, walls, floor, windows and fly-screens (3), water supply (2), cleanliness: floor, ceiling, walls, vat and water for cooling purposes (5), total 10; cleanliness at milking time (3), utensil adequacy (2), small top or hooded pails (2), thoroughly washed and exposed to pure air (3), total 10; ice supply (4); prompt and efficient cooling and storage at low temperature (6), total 10. Some of them have electric refrigeration, suitably installed. Well, we give them the equivalent of the amount allowed for ice supply. That makes up a total score of 100 points.

Now, we have farmers scoring all the way up the scale. We have a few, a very few, who score 100 points. We have quite a number over 90 points, and over 80 points, and a great number over 70 points. When these scores are made, we allow the men to ship to Montreal. I noticed in the reports in the papers, that one of the witnesses before your committee recommended that a licence be taken out by the producers. I might say that fifteen years ago we thought the same thing was good, and I went to Quebec about the Montreal bill when it came up, and asked for permission to do so, but it was refused. We have tried since then and we have not succeeded. We were not asking to charge them anything, it was just the fact of taking out a licence for them to be allowed to ship. Well, to-day, it is an understood fact that no dealer can take on a producer unless this producer produces our score card, which is, in fact, a permit allowing them to ship.

By Mr. Pickel:

Q. Doctor, does all the milk that reaches Montreal become subject to this score card? Has there been in Montreal milk sold that does not come under the provisions of this section?—A. As near as we can possibly make it, sir. There has been quite a lot of talk of bootleg milk coming into Montreal; but it is the same as other things. We have 25 inspectors, ten in the country and seven on special work in the city, and seven at pasteurization plants, and two supervisors over those inspectors. But there are a great many roads coming into Montreal.

Q. Does the actual supervision of milk come under your jurisdiction, your supervision?—A. Yes.

Q. As regards testing?—A. Yes.

Q. How often is the test made?—A. Well, I might say we took for chemical analysis, 2,578 samples. We took most of the samples from the distributors.

Q. From the what?—A. From the distributors, who were supervised. Our men supervise the tests that the companies make of the different producers, and if we see anything that is wrong, our men immediately take samples. If the milk does not come up to the standard, we have to stop the man; or if he is adulterating his milk, we take means to take proceedings against him. We notify him, and if he continues, we take proceedings against him. In a great many cases we just stop him.

Q. You supervise the test with regard to the richness of the milk?—A. Yes.

Q. That, for Montreal, is 3.5 per cent?—A. In Montreal the minimum standard is 3.25.

Q. 3·25?—A. The same as the Federal standard. The by-law stipulates:—

Milk shall contain at least three and one-fourth (3·25) per cent of milk fat and sixty-eight hundredths (0·68) of one per cent of salts. The total of solids of milk other than fat shall be at least eight and a half (8·5) per cent. Milk must not contain a proportion of water higher than eighty-eight and twenty-five hundredths (88·25) per cent. The density shall not be below 1·029 nor above 1·033.

We see it leads up to that; and more than that; in the by-law it states:—

It is forbidden:—

- (b) To have in one's possession milk older than forty-eight (48) hours;
- (c) To ship, receive or have in one's possession milk the degree of acidity of which is above twenty-one hundredths (0·21) of one per cent, or below sixteen hundredths (0·16) of one per cent.
- (d) To have in one's possession or sell milk from which a portion of the fat has been removed.

A good many people seem to have the idea that we allow them to standardize their milk. There are some cities in Canada where they allow them to standardize, to bring that down to what you mentioned, to bring it to 3·50, 3½; but in Montreal we do not allow them to standardize. We allow them to receive milk from any farmer, as long as it is over 3·25. But they may receive it at 4 per cent if they like, or over 4 per cent, and it is all mixed together.

Q. The distributors are allowed to standardize?—A. No.

Q. They are not?—A. No, sir.

Q. If they receive milk at 4 per cent, are they supposed to distribute it?—

A. They are allowed to mix it, but they are not supposed to standardize it. Standardizing means, as in a great many American cities, if all their milk—say the average of their milk were 3·80, they could take the difference between 3·80 and 3·50; they could take out that difference. But in Montreal they cannot take out that difference.

By Mr. Brown:

Q. You allow them to distribute the average, whatever that may be?—

A. Yes.

By Mr. Donnelly:

Q. What is the average?—A. The average for 1931 was 3·6, I think. For 1931, it was 3·60, and the average for 1932 was 3·70.

By Mr. Pickel:

Q. Does your department test this milk after it is mixed?—A. Yes. We take so many samples on the street, so many samples from the grocery stores. I can give you in detail the tests for 1932: 660 samples on the streets, 331 samples in grocery stores, 1,103 samples in dairies, 434 samples in various other places, making a total of 2,528, and collected by inspectors in stores. That is for cream. That makes 2,528 samples. An average of the samples for 1932 gives it 9·70.

By Mr. Donnelly:

Q. Do you know whether the milk is bought on a butter fat test?—A. Some of the dairies buy on a butter fat test and some buy on a test on the milk.

Q. It is very unfair if a man is 4, and another one is 3·25, they both should get the same.—A. We have nothing to do with that. Our end is entirely from a sanitary point of view.

By Mr. Brown:

Q. These hygienic methods which you have in force are done at the cost of the city, not at the cost of the producer. I think that is one of point we want to get at.—A. Our cost for maintaining our city staff in the country for the last year, for 1931, it cost for travelling expenses for milk inspectors in the country, \$15,034 outside of salaries.

By Mr. Gobeil:

Q. Outside of Montreal?—A. Yes.

By Mr. Tummon:

Q. All the cost of inspection was paid by the city?—A. Paid by the city.

By Mr. Brown:

Q. That is a point we want to get at. It is paid by the city, not by either the distributor or the farmer?—A. It does not cost the distributor or the farmer one cent. Some of the farmers object sometimes. They write in sometimes to us, and they write in again in another week or so, and say "I asked for an inspection last week and I have not got it yet. Why don't you send your inspector?" So we have the inspection of that, but we have to be as economical as we can, and we try to arrange it. Our work is divided into districts, and our inspectors go just as soon as they possibly can.

Q. There is another matter you mentioned. You spoke of score cards?—A. Yes.

Q. And of your issuing a permit; what would be the minimum number of points on which you would issue a permit?—A. They would have to be over fifty.

By the Chairman:

Q. Is that absolutely free of charge, that permit?—A. Yes. We have never charged anything, so far. We suggested it to Quebec, we suggested charging them a small fee; and then we suggested if they objected to that, that we would not charge anything.

Q. Then the dealers are licensed, are they not?—A. Yes.

Q. Are the licences heavy enough to pay for a considerable proportion of the inspection?—A. No. The licence fee for a dealer is only ten dollars.

By Mr. Tummon:

Q. Would you explain what is meant by the word "dealer," what it covers?—A. The word "dealer" is defined in this way: "The word 'dealer' shall mean any person or company selling or having milk in his or its possession for sale, delivery or exchange."

Q. What I want to get at is, that means one of the large dairy companies?—A. Yes.

Q. No matter if they have one hundred or more wagons on the road, the one permit will cover that?—A. Yes. Of course, they have to have a licence for each rig, from the city.

Q. Yes?—A. And in a good many cases the province gets the better of us, because a great many of them are running trucks and the province gets the licence fee.

By Mr. Pickel:

Q. Your regulations permit the farmer near Montreal distributing his own milk?—A. Some of them. If they can come up to these regulations covering

special milk—the by-law says Special Milk is milk which meets the following requirements:—

- (a) It must not contain more than fifty thousand (50,000) bacteria per cubic centimeter from June to September inclusive, or more than twenty-five thousand (25,000) bacteria per cubic centimeter from October to May inclusive.
- (b) It must not have been pasteurized nor sterilized.
- (c) It must have been cooled down to at least forty-five (45) degrees Fahrenheit within thirty (30) minutes after milking and kept at that temperature or at a lower temperature until delivered to the consumer.

Q. How often are these bacteriological tests made?—A. Well, we take samples practically every day. This is our report for 1932.

Q. What are those taken from—are those taken from the aggregate or the individual?—A. Bacteriological samples?

Q. Yes.—A. Bacteriological samples are taken from the milk as it is ready to be sold.

Q. After pasteurization, in the aggregate?—A. Yes.

By Mr. Gobeil:

Q. That class of milk is not pasteurized?—A. Well, raw milk—we take that, when it is ready to be sold, when it is bottled; and if we find anything wrong, we take control samples. We take samples when it comes from—we have some dairies in Montreal selling special milk, who have as many as four suppliers. There is one man has six. If we get an aggregate sample that shows it is not up to this standard, we immediately take a sample from each of his suppliers, because it may be one of them that is wrong. And if we find there is one wrong, our man goes out to the farm right away and sees what is the matter. He may have fallen down or may not have sterilized something. We have to have them fix up, see that everything is sterilized, and get everything up to the mark, if there is anything wrong. We go and try to help him out and show him what he should do, and if we cannot succeed in getting him to produce milk along those requirements, we just say, “You will have to stop.” We have to do that in some cases.

By Mr. Mullins:

Q. Doctor, may I ask a question; does the pasteurization detract from the quality of the milk, or the taste?—A. Very little. It is a recognized fact to-day that it does not harm the milk.

Q. I have received a letter this morning from a prominent medical man in Montreal, and he says:—

As an interested citizen who has been closely following the Milk Investigation as conducted by a Parliamentary Committee, and as one who has for many years been a close student of the milk situation in Montreal, I was greatly interested in reading a summarized account of Rev. Leon Lebel's testimony at to-day's session of the Committee.

While the good padre is quite a sociological authority, when he comes to discussing the purely health aspect of milk, particularly as affected by pasteurization, I am afraid he is hopelessly at sea.

Particularly do I arrive at this decision when reading his testimony in to-day's Montreal “Star,” when he stated: “Pasteurized milk loses something in the taste and vitamins,—but, if it was not pasteurized, bacteria would develop in it.”

The truth of the matter is that pasteurization, properly conducted, does not affect either the taste nor the vitamins to any appreciable extent. Furthermore, bacteria develop with greater ease in pasteurized milk than in ordinary milk.

Is that the case? That bacteria would develop in pasteurized milk with greater ease?—A. Well, I don't—

Q. Than in ordinary milk? I may as well finish the letter:—

The reason is because the natural protective bodies in untreated milk are fully or partly removed and so do not offer the normal resistance to developing bacteria.

Pasteurization is rendered necessary because milk is so often produced uncleanly. Again, it is not the absolute safety that so many believe, even when properly conducted, because of the tendency of some of the more obnoxious germs—like tubercle bacilli, to take the form of "spores," a very resistant form of bacterial type, which return to their normal contour and virulence once the heat becomes lowered.

What I had in mind, after all the care that you give on the outside as to the barn and the cleanliness of the stables, is it necessary to lower the standard of the milk by pasteurization?—A. It does not lower the standard of it.

Q. According to this medical man?—A. That is one man's idea. I could bring up five thousand against that.

Mr. MOTHERWELL: Hear, hear.

Mr. MULLINS: Well, I only got that this morning. I asked for information, because as I said to the Committee yesterday, a professor in Winnipeg stated that it had killed three calves and if it would kill calves, it might have an effect on the children.

By Mr. Moore:

Q. Dr. Hood, what is the idea in allowing part of the milk to enter the city of Montreal unpasteurized?—A. Well, sir, the idea was that we attempted in 1918—

Q. I mean distributed unpasteurized.—A. We attempted in 1918 to have a by-law passed asking for pasteurization, and it was knocked on the head. We attempted again in 1925—

Q. Knocked on the head, where? Could not pass the by-law?—A. It would not pass. They would not allow it to pass.

By Mr. Pickel:

Q. Is pasteurization permitted in the country?—A. No, it is not practical.

Q. It must be done in Montreal?—A. Yes, it must be done in Montreal.

To answer that, when this by-law passed, we specified the two kinds of milk and allow for special raw milk. Some people—some doctors, want special raw milk. They claim that some of their clients have to have it. Well and good. If they have to have it, the by-law had to pass for getting it. When the by-law passed, there were 76 raw milk dealers. To-day there are 30. They have gradually gone out of business, gradually gone down, not from our putting them out of business, but their business has gone down. One man was selling, three years ago, sixty gallons; and the inspector told me yesterday that he is down to fourteen.

By Mr. Donnelly:

Q. What about cream, is that pasteurized too?—A. Yes.

Q. Is there much distributed in Montreal unpasteurized?—A. Not that we know of.

By Mr. Pickel:

Q. Has pasteurizing any effect on the vitamin content of the milk?—A. Very little. As this gentleman says, some people have an idea that it has. Personally, I have two children that have never had anything else but pasteur-

ized milk; the boy is seven years old and he weighs seventy-eight pounds, and is as healthy as can be; the girl is eleven, and she weighs ninety-seven. I do not think you can get any better specimens anywhere.

Mr. BOWEN: I have no pasteurized milk.

Mr. MULLINS: There is a big difference in pasteurizing.

The CHAIRMAN: Order, gentlemen, please.

By Mr. Mullins:

Q. There is a big difference in the milk on the farm and the milk in the city?—A. Certainly.

Q. That is what I wanted to get at. What has happened to it—

The CHAIRMAN: Order, gentlemen. We are getting far away from the object of this investigation. This investigation is not to inquire into the merits of pasteurization. It is to inquire into the prices, and the factors that govern prices and so on, and I do not think it makes any difference whether pasteurization is a good thing or not. It is being done.

Mr. BOUCHARD: It increases the price, Mr. Chairman.

The CHAIRMAN: That is aside from the point.

By Mr. Donnelly:

Q. How often do you inspect the distributors?—A. We have them inspected—anybody that goes into the milk business has to pass an examination for typhoid carrier; and if he is sick or absent, if he is working in the plant, our men visit the plants every second day and we have a list of all employees in every plant; if he is absent from a plant for more than a day or two, or any length of time, he has to pass a new examination.

Q. Does this apply to the producers in the country too?—A. No, we could not do that. I might say that this applies to a producer, if he has any typhoid on his farm, or if he has it amongst his family or his employees; they have to produce a certificate from the Provincial Board of Health to show that there is no more danger from typhoid and that the party that has had typhoid is no more a carrier, before we can allow him to start again. That is as far as we can go. I think that is as far as necessary.

Mr. Chairman, if you will permit me one moment, I think I will answer all this if we show what the difference between the improvement that has been obtained in Montreal. From 1907 to 1916 the death rate per thousand in babies from zero to one year was 221; from 1913 to 1922, it was 183 per thousand. In 1932 it is 100 per thousand, under 100; so that you can see from 1907 to 1932 it has been more than cut in half.

By Mr. Bouchard:

Q. What part of this can be ascribed to pasteurizing?—A. Some part of it

Q. Very little, perhaps.—A. Why?

Q. Well, because as I know, there are so many other factors to-day that contribute to that. Take for instance the Board of Health, hygiene, all kinds of injections.—A. They have all had their purpose.

Q. I think we ascribe much too much to pasteurization. I do not see anything in this figure that will prove much in favour of pasteurization.

By Mr. Moore:

Q. One thing we would like to get at, doctor; you said a few minutes ago that you were unable to have a by-law passed in Montreal. What prevented the by-law passing?—A. We did have it passed in 1925.

Q. Yes; the by-law passed in Montreal for pasteurizing all milk that is distributed in the city: didn't you say that?—A. We did in 1918, and we presented it again in 1925.

Q. What is interfering with it now?—A. We have not asked for it since, because it is gradually coming itself, without any by-law.

Q. I see.—A. I don't think it will be necessary; because, as I said before, some of the doctors maintain that they need raw milk. We look after the producers of raw milk, a small number. You can readily understand we can look after a small number much better than we can look after a large number.

By Mr. Tummon:

Q. Then, doctor, there are just two classes of milk being delivered in Montreal?—A. Yes.

Q. Pasteurized?—A. And certified.

Q. Certified?—A. Special raw milk and certified milk—practically three. Certified is milk that is even more restricted than special raw milk. Certified has to be under ten thousand the year around, and has to be under the control of the Medical Milk Commission, and has to be bottled on the farm where it is produced. We just have two farms producing certified.

Q. Are there any of the dealers in Montreal delivering unpasteurized milk?—A. No, not that we know of; not except it is special raw milk.

Q. In regard to the question of dealers, we had considerable evidence here that any person could obtain a licence—not any person, but a person might go to the City Hall, and obtain a licence if he had a horse and wagon and go to a distributor and buy a couple of hundred bottles, or quarts of milk to-day and start up a route. Has he a permit as a dealer?—A. He has a permit as a dealer, yes.

Q. Can you give us the number of dealers, the total number of dealers in Montreal?—A. In 1932, we issued 440 licences, that is including large and small.

Q. 440?—A. Yes.

Q. How many dairies are there in Montreal, or distributors, people who are bringing milk in from the producers, pasteurizing it, preparing it ready for distribution?—A. Pasteurizing plants??

Q. Yes.—A. We have 33 pasteurizing plants.

Q. Then the difference between the 33 and the 440 are people who are practically acting as agents?—A. Jobbers, a good many of them.

Q. Jobbers?—A. Then we have some 30 raw milk dealers.

Q. In addition to the 440?—A. Oh, no; these are included.

Q. 410, then?—A. Yes.

By the Chairman:

Q. Doctor, I would like to ask a question if I may; you have outlined the sanitary conditions that are necessary on a farm, before they can send milk to the city of Montreal. Does that add to the cost of the production of that milk?—A. Well—

Q. Those regulations, requirements?—A. To a certain extent, but they are practically requirements that are required in every city, practically the same.

Q. Yes. They are not required for milk being sent to the butter factory?—A. No.

Q. One of the witnesses gave evidence the other day, I think it was Mr. McMillan, that Dr. Reynolds of the Ontario Producers Association has made an estimate that there is an additional cost of 35 cents per hundred because of those regulations. Would you say that is a fair estimate?—A. Well, I could not say. We have never made that up. That is pretty hard. One man sometimes spends a great deal more than another, because in some places they have much more expensive help, and they have more expensive buildings, and spend a great deal more. You have the whole average to make sure of that.

Q. You would not like to hazard a suggestion whether that is a fair average or not?—A. No, I would not like to say.

By Mr. Bouchard:

Q. You said a minute ago what the requirements of the farmer were as to score in order to have a permit to ship into Montreal. Would you give us the requirements on which dealers and distributors have to score, before they are permitted to sell milk?—A. We also have a score card for the dealers, dairy score card, and the pasteurizing plant has to have a proper plant. It may be large or it may be small, according to the number of gallons that he is distributing. He has to have properly examined employees. He has to have good sanitary conditions. He has to have good, clean sanitary equipment. He is not limited to any kind of equipment. He can have different systems of pasteurization, as long as they are efficient; and all our plants in Montreal to-day have—if they want to make any changes, they have to submit their changes in writing to the Provincial Health Department, and their engineer, along with our inspector, pass on it before they make their changes; before they build a new plant they have to have their plant approved by the Provincial Health Department.

By Mr. Brown:

Q. Has your Department formed any estimate of the cost of pasteurization?—A. No, sir. As I said before, we cannot be interested in the cost. We are just interested in the sanitary end of it.

Q. We are going to be interested in it.—A. I understand that.

By Mr. Bouchard:

Q. What about the bottling of it?—A. They have to have proper bottle washers and proper can washers; and we take control samples ever so often, control samples of raw milk—two samples of raw milk, two samples of pasteurized milk, two samples after it has been bottled, which makes six samples. And then a sample from the washing of bottles, pints and quarts, two samples from the washing of cans, which makes a complete list of ten; and their bottles have to be properly washed and sterilized.

Q. And sterilized?—A. Yes, sterilized.

The by-law requires that all utensils and apparatus—Article 27:—

The utensils and apparatus used in the milk trade shall be reserved exclusively for the handling of milk and shall be kept in good order, their different parts to be solidly welded, the grooves to be well filled with solder and the surface in contact with the milk to be smooth, even and free from rust. All such utensils and apparatus shall be of recognized sanitary design.

We do not specify any kind of design, they can have any make they like as long as it is standard.

The utensils and apparatus, after having been rinsed with lukewarm or cold water, shall be cleansed in a hot soap or alkaline solution, rinsed again to completely remove the solution used and then sterilized with boiling water or steam.

By Mr. Mullins:

Q. Doctor, I would like to have a little information about buttermilk. Can you tell me do they manufacture buttermilk from a sort of tablet or does the buttermilk that is churned, does it come straight from the churn to the bottle?—A. Well, in Montreal, there is very little buttermilk sold; it is mostly fermented milk.

Q. What?—A. It is mostly fermented milk. It comes under Article 116; fermented milk is milk which has been treated by the addition of a ferment.

Q. It is treated?—A. They add a ferment.

Q. Or a tablet?—A. It may be a tablet, like you make junket; or it may be from a bottle.

Q. Then it is not pure buttermilk?—A. It is not buttermilk in the sense of buttermilk.

Q. I thought not. It does not seem like the buttermilk I used to drink out of the old dash churn.—A. It is not just the same. We have one dealer selling churned buttermilk in Montreal, and one only.

By Mr. Bertrand:

Q. We understand there is a certain amount of milk brought into Montreal as sweet milk to be sold, and then taken as surplus milk to be made into butter or other uses; has this milk to pass these very same sanitary conditions?—A. Yes.

Q. The very same?—Even if it is known as surplus milk? There is no other regulation they have to stand by just as well?—A. No, sir, just the same. What is known as surplus milk I might explain is that at certain seasons of the year the dealers receive more milk than they need for distribution and they distribute that on their distributors—so much to each one—it may be a fifth, it may be a quarter, it may be a third, but it is their surplus. Of course, we have nothing to do with that.

Q. We have been told here by witnesses, Doctor, that if it is known in the plants that there will be a surplus of milk they will tell their producers that certain days of the week milk will be classified as surplus milk. I was wondering whether they had to stand by the same regulation?—A. Yes, they have to, for this reason, sir, they may ship in six cans and only four cans goes for daily consumption, and two may go in for surplus; but we don't know and nobody else knows, so they have to all come up to the standard.

By Mr. Donnelly:

Q. Can you give us any idea at all, Doctor, how much this extra health supervision placed on the distribution of milk has added to the cost?—A. Mr. Senn asked me that a moment ago, and I think I am not in a position—

Q. You cannot give us anything at all?—A. No.

By the Chairman:

Q. I asked more from the farmer's standpoint. The doctor wants to know whether it adds to the cost of distribution from the dealers' standpoint.

By Mr. Donnelly:

Q. Yes, how much does it add?—A. I could not say as to that any more than as to farmers. It certainly adds to a certain extent. Of course, that is much the same as anything else. If a man has a plant that cost him half a million dollars and another man has a plant that cost \$25,000 and the one who has the half million dollar plant is only distributing twice as much as the other man his overhead is much higher than that of the other man.

By the Chairman:

Q. Would you say then, Doctor, that the extra cost because of your regulations is added to what the consumer pays; or is it taken from what the producer gets?—A. That is a difficult question to answer, sir.

Q. That is one of the things we are looking at, who pays the shot for all this sanitation?—A. I don't think I can answer that, sir.

Q. One witness, doctor, said the other day that the board of health were hampered in their operations by, I think he said, politicians and aldermen. Have you found that to be true?—A. Very little, sir. I may say that we have

had very good co-operation from all the politicians around Montreal, and particularly by our aldermen. I am pleased to say that, because in some cases we have people come in and ask us for certain things we could not pass. When we have explained it to them they see our point of view, but we have practically always had good co-operation.

By Mr. Tummon:

Q. In regard to the milk that is supplied by the pasteurizing plants to these smaller jobbers that you have mentioned, each bottle must be labelled by the dairy which pasteurized the milk?—A. Yes, so far we have allowed the dealer or distributor if he wishes to have his name on the cap, but he must have "Pasteurized by the," at a certain place around the cap—printed on the same cap.

Q. Now, a moment ago you mentioned, I think, that your regulations refuse the delivery of milk forty-eight hours old?—A. Well, that is what is specified in the by-law, sir.

Q. Now, forty-eight hours from when; the time it is drawn from the cow, or the time it is pasteurized?—A. Supposed to be from the time that it is drawn from the cow, and as soon as possible.

Q. I presume that in the milk being delivered to the grocery store, for example, that oftentimes there will probably be bottles of milk that would not be sold within the forty-eight hours?—A. That happens sometimes in grocery stores, yes.

Q. Have you any idea what becomes of that milk after it is forty-eight hours old?—A. Well, we have tried very hard to get the grocer not to take any more than he can dispose of, and in a good many cases we have succeeded in getting the distributor to take back milk that was held over from the day before and use that. He can take the cream out of it and put that cream into butter. We call this "returns," the same as the returns off the route. The dealer can't judge exactly how much he has got to take out, because he may sell ten quarts more to-day than he will to-morrow, and when he brings that back that milk has to be turned in and dumped as soon as it comes in, and the milk is taken out of that and put into butter.

Q. I think, Mr. Chairman, it would be of interest to the committee if the score cards, both for the farmer and for the distributor, were printed.

The CHAIRMAN: I think it would be wise if we had the whole by-law printed right in the minutes.

Mr. TUMMON: All right, it would be better.

The WITNESS: The regulations have both score cards in it. I can send you copies of actual score cards, if you like, sir; but they are just the same as in the book here.

The CHAIRMAN: I understand that. I believe it would be wise to have that incorporated in the minutes. What do you think gentlemen?

By the Chairman:

Q. Now, I want to ask you another question, Doctor; I believe that a certain portion of the surplus milk is converted into ice cream. Do you exercise supervision over ice cream as it is made in the city as well?—A. Yes, sir.

Q. Under the same regulations?—A. Under the same method, the same by-law, ice cream is controlled.

Q. One witness made the suggestion the other day that when the supply of milk falls off in the fall months there is a loosening up of the regulations by the board of health. Is there anything in that?—A. Nothing in that, sir.

Q. Another witness made the suggestion that at certain times 2·8 milk was shipped into the city and received into the dairies?—A. Well, I think that

was Professor Toupin at your last meeting. That is easily explained. There are producers who at times have low testing herds, or low testing cows, and if their milk does not come up to the set standard we notify them and we tell them if their cows are producing too little milk with too low a test that they should get rid of those cows, and replace them by better, higher testing cows. But that statement does not mean that it is adulterated milk.

By the Chairman:

Q. Oh no, I understand that. Well then, do you not require the farmer to produce 3.25 milk?—A. 3.25, yes, and if he is below that we send him notice immediately.

Q. Do you shut him off eventually?—A. If he is too low after that we shut him off. We have to. We give him a reasonable time, a month or so, to change. A farmer cannot go out and get rid of a cow and replace her in two days very often. But we ask him to have his cows tested and checked up, and we let him continue. I know the other day we sent notices to some of the farmers in the district from where this witness came, for them to take their samples to the Department of Agriculture, to the institution where this gentleman is a professor, and have them tested so they could see where they could weed out the low testing cows. It was done, and these cows were replaced by high testing cows. It is only fair to the producer. We can't do anything less.

By Mr. Mullins:

Q. From the time the milk leaves the farmer, the raw milk, it just goes through the process of pasteurization is that all?—A. That is all, sir.

Q. Before it goes to the consumer?—A. Yes.

Q. Do you know if there is anything added to the milk?—A. Not that we know of.

Q. Or cream, I will say cream; do they add any powders?—A. They are not supposed to, not that we know of.

Q. I know they are not supposed to, but do you think they do?—A. I don't think they do, sir.

Q. Have you any suspicions along that line?—A. They put it through the homogenizer?

Q. What?—A. The homogenizer, a machine which breaks up all fat globules and makes cream which is only 15 per cent look like 30 per cent.

Q. I thought I would get at that yet?—A. It is a new machine.

Q. But I did not know what it was.

By Mr. Gobeil:

Q. How many in Montreal have this machine?—A. These homogenizers? Oh, there are perhaps ten of them, probably eight or ten.

By Mr. Bertrand:

Q. Is that what accounts for what they call fresh cream, or table cream?—A. No. A lot of the dairies had adopted, before the by-law passed, a table cream. Table cream was cream under 25 per cent butter fat; and they had 3-X cream, which was over 30 per cent; while to-day under the by-law they have to put the percentage on each cap so that anybody buying cream has all the facts open they know they are getting 20 per cent or 30 per cent or 35 per cent, it is on the cap. "Each cream container shall bear an inscription showing, in visible type, the percentage of milk fat which the cream contains as follows: 10 per cent, 15 per cent, 20 per cent, 25 per cent, or 30 per cent"; so that anybody can see what they are getting.

Q. Can you tell us the reason why it would appear that if a cream was of a low test it would be thin, but cream that I was able to notice since was made to look thick; one could hardly get it out of the bottle?—A. That is what I say, if it goes through the homogenizer 10 per cent it comes out of the homogenizer looking like 20 per cent; it is thick. It is just like—you take whipped cream, you can't whip cream unless it is over 25 per cent, but when you start to whip it up it gets much thicker and light; but this quality goes through the homogenizer under a very large pressure, about 3,000 pounds, and it comes out nice and thick. But it is no better quality really, there is no more butter fat.

Q. There is none added?—A. There is nothing added.

Q. In other words it is bulky?—A. There is nothing under the law to prevent that, sir. In fact, I may say that here in Ottawa you allow your milk to be homogenized. In Montreal we have only one man who wanted to homogenize milk. We didn't prevent it. But he has some limit on his production and he is only selling 10 gallons of this homogenized milk. It is not taking. It may be all right. It has its advantages as far as the store or restaurant trade is concerned because in the restaurant trade once it has passed through the homogenizer cream does not rise to the surface any more, it is all homogenous—that means to make it all the same—so that in a can of homogenized milk the milk at the bottom is just as rich as the top part of it.

By Mr. Pickel:

Q. Doctor, this investigation was started with the idea that the farmer is not reflecting enough for his milk. Now, of course, the price of milk in Montreal has its reflection on the producer?—A. Yes.

Q. Last Friday when I went down I saw in some stores there that a quart bottle of milk was given to the purchaser with a dozen loaves. Now, can you give us any idea, enlighten us in any way as to who is responsible in Montreal for that condition? Is it the big distributor, or is it the little pasteurizer who sells this milk at a very cheap rate to these people; who is at the bottom of it?—A. Well, sir, that is a little bit hard to answer. It was a medium sized one that started delivering to chain stores last night. It wasn't one of the small ones. It wasn't one of the bigger ones. The large ones have fallen in line and now they are supplying the chain stores with cheap milk. It was the in-between-man that started selling—one of the medium sized ones who started selling to the chain stores. In fact they were selling milk last fall—they were giving a loaf of bread and a quart of milk for 10 cents, and that was more or less of a drawing card. And to-day, during the winter, they sold it at 7 cents all winter. The large stores did not reduce their prices. But to-day, the first of March, they reduced their price to 8 cents in all the other grocery stores, or all the chain stores. Now, I think, in a very short time it looks as though it were going to be reduced again, because there is more or less of a war on.

By Mr. Bertrand:

Q. You have just used the word that some dairies have started selling cheap milk; you do not mean by that that the milk is not up to regular standard?—A. No, it is just the same as other milk. They have to come under the same regulations, and they have to live up to the same quality.

Q. The quality is the same?—A. It is up to them if they want to give it away; but they have to live up to same quality.

By the Chairman:

Q. Most dairies, I suppose, sell a certain amount of bulk milk to hotels, restaurants, bakeshops, and so on?—A. Yes, sir.

Q. Is that all? You don't require that to be bottled?—A. No, sir, the by-law allows it to be sold in restaurants and in places like that. Milk is allowed

to be sold without being bottled. In restaurants, in grocery and other stores, in all places where it is sold by retail it shall be received and sold without any decanting. Then in restaurants and hotels we allow them to receive it in cans, or to confectionery plants or bakeries we allow them to receive it in cans to be used for culinary purposes.

Q. Do you require that it be pasteurized?—A. Oh, yes, it is the same milk as the others, only it is not put in bottles. It is processed just the same. Instead of being put into bottles, run through the bottler and put into bottles, it is put into cans.

By Mr. Blair:

Q. Can you tell us how many American firms are operating in Montreal?—A. I know only one, that is the Borden Company.

By Mr. Pickel:

Q. Doctor, can you tell us, have you any idea, whether these small distributors are losing money?—A. Well, some of them have gone broke, so that is pretty good evidence that they are.

Q. My idea was this, that if a distributor in Montreal could sell milk that could be retailed at 5 and 6 cents a quart, and they are paying the farmers the same price that the others are, it must have been a pretty good dividend that the big companies are paying selling at 10 or 12?—A. In lots of these cases, sir, they were buying milk at a lower price. In some cases the last two years they had so many applications of farmers wanting to sell milk, men who had been willing to sell it at any price to be able to get in, unfortunately.

By the Chairman:

Q. Where did they buy that milk, from the farmer?—A. Oh, yes, from the farmer; but the farmers are willing to take the lower price. I know last year when the price was \$1.35 a hundred—the regular price, the fixed price—I have known farmers to come in and offer their milk, I have seen them deliver it at \$1 a hundred; but you can't blame a man for buying it if he can buy it cheap enough, that is his affair.

By Mr. Sproule:

Q. Does not pasteurizing depreciate the quality of milk?—A. As I explained to this other gentleman before, it does not depreciate it at all.

Q. Does your specially tested raw milk demand higher prices, or does anything rule that?—A. The special raw milk? The certified milk? They get higher prices for certified milk, and for special raw milk they get about the same price as ordinary pasteurized.

By Mr. Donnelly:

Q. What do you do with a man who has 4·4 butter fat who wants to reduce it to 3·5?—A. We stop him, or have him fined.

Q. And if he reduces it to skim milk, what do you do?—A. The same thing.

Q. You do the same thing with the skim milk then?—A. Oh, yes, they have the same total solids.

Q. The same what?—A. The same total solids. You can't take the solids out of milk without changing it, you can take the fat out; you can't take the total solids out because it changes your density. We get all kinds. They put ice in it; they put water and skim milk, and we have to stop them the same as anything else.

By Mr. Tummon:

Q. Doctor, I would like to ask a question. Perhaps you would not feel like answering. If you don't, I am not going to press it. What, in your opinion, in the health department in the city of Montreal, do you consider the best

method for the distribution of milk to the consumer—by wagon to his door, or from the chain stores, and such like?—A. Well, we would rather see it delivered by the man to the door because they are sure of the milk they are getting and we are sure of the milk that they are delivering.

Q. Yes?—A. In the chain store you have the whole organization, you have fifteen or twenty especially in the big organization. You have so many employees; and in some cases we have great trouble getting them to keep it in a proper condition, under proper conditions. When it is distributed by a wagon even in the hot summer months we take temperatures and see that it is distributed to the householder cool enough and quick enough.

Q. That was practically what I had in mind; that with the number of holidays and such like that there are—business holidays and such like—the wagon going around from door to door is after all, in my opinion, the most successful delivery of milk?—A. We are of the same opinion.

Q. And in your opinion would you want to say that the more milk that is handled through the chain store the greater the cost would be for delivery around to the door?—A. Well of course, that remains to be seen. I do not know.

Q. You could not deliver the half of it as cheaply as you could the whole of it?—A. I would not think so. It is the same as anything else, the more you deliver—

By Mr. Mullins:

Q. The milk would not come in contact with other commodities that you had in the store? I have seen bottles of milk in the refrigerator and other foods in there. Won't the milk absorb some of the ingredient from the other food that you had in there?—A. We try as much as possible, sir, to have them have a special refrigerator.

Q. A special refrigerator in the chain store?—A. Yes.

Q. The other day I saw one chain store with hot dogs in one end and milk right alongside of it, and I know something about what hot dogs are made of, and I would not like to drink that milk.

By the Chairman:

Q. Do you limit the hours at which milk can be shipped from the farm to the city?—A. No, sir.

Q. I understand that the Quebec Commission had advocated something like that?—A. The Quebec Commission recommended it in its report.

Q. Are you in favour of that recommendation?—A. I think we will be.

Q. You don't limit the hours at which milk is distributed in the city at all?—A. Well, we insist on a temperature, and unless a man gets started early enough in the morning and comes in quick enough he cannot live up to the temperature, so that regulates itself more or less automatically. If a man tries to haul milk too far and takes too long on the road he can't get into Montreal. We insist that they bring their milk under 50 Fahrenheit. They can pick it up at the farm at 42, 43 or 44, and bring it in within two hours or two hours and a half and get it in under 50.

By Mr. Shaver:

Q. I regret that I was not present to hear the earlier part of your evidence. I presume, from your position, you would be familiar with regulations for handling milk in some of the larger American cities. Will you say that the regulations in New York and Boston are just as strict and would entail as much expense on the distributor as they do in Montreal?—A. Well, in New York, I understand half of their milk is sold in bulk, about half.

By the Chairman:

Q. Is that retail milk?—A. Yes.

By Mr. Shaver:

Q. They have regulations for pasteurization, of course, and for the hygienic handling of milk?—A. Oh, yes.

Q. That would naturally put as much expense on the distributor there as we have here in Montreal?—A. Practically.

Q. That would be your opinion?—A. Yes. More or less the same.

By Mr. Bertrand:

Q. Now, we were told by one of the witnesses, doctor, that some dairies were looking for surplus milk, or what he called surplus, and that an inspector was asked to visit certain farms, and the farmers would not stand the inspection; that they would ask for somebody else, and they were promised that another inspector would come and the farm would be passed and the milk could go in to Montreal?—A. That is not right. Your information I think is wrong, because each inspector has a district and we have a supervisor, and if there is any controversy over it the supervisor goes out and sees it, and if that is not sufficient I go myself.

Q. So the case of sending another inspector is impossible?—A. They can't pick their inspector, and even if they did pick their inspector they would not find any difference because our inspectors are checked up thoroughly and we know what they are doing and the work they have to do. We know if they don't do it they just have to find another position.

By Hon. Mr. Motherwell:

Q. May I ask a question with regard to special raw milk delivery, sometimes referred to as certified milk. How can any certificate be given with regard to the possible absence or presence of, say typhoid or scarlet fever germs, in any sample of milk without pasteurization?—A. Well, we don't certify; that is the medical milk commission which certifies. That is their affair.

Q. Well, does the witness think that there is any such thing as certified milk free from the germs of communicable diseases without pasteurization?—A. Well, you can't be absolutely sure of it.

Q. No. Well, this certified milk business is more or less of a fraud?—A. Well, it is the best that you can secure.

Q. If it is pasteurized it is all right?—A. If it is pasteurized it is made absolutely safe.

Q. Oh, yes.—A. Otherwise neither yourself nor myself nor anybody else can be absolutely sure. You can certify that it has been produced and bottled and delivered under the regulations laid down for that kind of milk, the best possible; you can't go any further than that.

Q. No.—A. The possibility might happen that after everything was ready you might get in somebody there that was a carrier, and you might have trouble.

Q. There might be somebody milking the cows who was just on the point of contracting typhoid, we will say, and that has been where some of the worst outbreaks of typhoid have been traced, to just such handlers of milk. So that without pasteurizing milk medical authorities take the ground you cannot have complete certification?—A. It is a recognized fact, to-day, sir.

By Mr. Pickle:

Q. Doctor, from the long experience you have had, do you think that an intelligent co-operation between the producer and the legitimate big distri-

butor as regards the control of supply of milk would greatly alleviate the conditions that the farmer is suffering from to-day?—A. We have always tried to get them together as much as possible.

Q. That is to eliminate what they call the bootlegger, get him out of business; and put it into the hands of the big distributor?—A. Well, we tried to eliminate, as you say, the bootlegger. Any milk that we know comes from an unauthorized source is dumped down the sewer. We do not do anything else with it. We took several lots last fall and dumped it down the sewer. There was quite a lot of it, but I cannot say that there was an awful lot of it, because we were working night and day all the month of November when there was a shortage, to prevent that from coming in.

By Mr. Donnelly:

Q. Will you tell the committee what temperature is required for proper pasteurization?—A. The By-law requires "That pasteurized milk is milk all the component parts of which have uniformly been heated during at least thirty (30) minutes at a temperature of one hundred and forty-two (142) to one one hundred and forty-five (145) degrees Fahrenheit. . . ." Now, there is a provincial law that was passed since which has become law which specifies it must be held for thirty minutes at 145, not under 145. . . . "without any drop in the temperature during the heating. The milk must have been cooled down, within forty-five (45) minutes immediately after the operation, to a temperature of at least forty-five (45) degrees Fahrenheit and kept at that temperature until delivered to the consumer. Pasteurized milk is also milk which has been pasteurized by any other physical process approved of by the Health Department. It must not contain, at the time of delivery to the consumer, more than one hundred thousand (100,000) bacteria per cubic centimeter." Now, I might say just here that our bacteriological results for 1932 show that out of 2,359 bacteriological samples we have taken, over 80 per cent were below 25,000.

By Mr. Pickel:

Q. Did you say that 100,000 bacteria were permitted?—A. The By-law permits not more than 100,000 bacteria per cubic centimeter.

Q. That much is permissible?—A. Yes, sir. But 94.3 per cent of all the milk sold in Montreal—all the samples that we took—show milk under 100,000 last year.

By Mr. Donnelly:

Q. As I understand it, what the public are interested in is the malignant bacteria. What malignant bacteria will pasteurization kill?—A. One hundred and forty-five degrees will kill practically all of them—any of them that are dangerous.

By Mr. Pickel:

Q. There is one more question that we were forgetting. What about the truck business? Do you know anything about that?—A. Well, the truck business—we have controlled the truck business as well as we possibly could. We licensed all the trucks for the last three years, and the ones that did not want to live up to the regulations or want to do the things they should not we refuse a licence. We charge them a ten dollar licence fee. This year, there is a bill before the provincial legislature that will empower the city to charge them more if they wish to.

Q. What are the regulations as far as trucks are concerned?—A. They have to have a covered truck properly made, properly painted and cleaned and have to have their name and address, and they have to have marked on it

"transportation of milk" or "milk transport" so that we can see them when they are on the road, and so they will have to bring their milk in so the cans will not be covered with dust, and in the rainy weather they will not be all wet and become dirty; because you gentlemen know that we have a very good road but there are some sideroads still, and they have to go up to the farm doorways in lots of places and may get mud on them. We have required for the last three years, since we have been licensing them, that they must have properly constructed covered-in trucks.

Q. How many licences did you issue?—A. Last year, I think, it was 108 or 110 licences.

By the Chairman:

Q. Can they carry other goods as well?—A. No, sir.

By Mr. Wilson:

Q. Are there any specific hours for delivery from the producer to the dairy?—A. No, sir. The only specific regulation is that they bring in the milk under 50 degrees Fahrenheit. There is a proposition—the Provincial Dairy Commission have made a proposition that they should be limited to so many hours in the morning.

Q. Would you file a list of the truckers; we might want to call some of them?—A. Yes, sir; we can do that. I think this recommendation is a good recommendation. It will help us. We want the men that are doing the trucking to take the milk in the morning and bring it in immediately and as quick as possible. That is the only way.

By the Chairman:

Q. That would be rather dangerous if they happened to have a blowout and are a few minutes late?—A. Of course, that will have to be taken into consideration.

The CHAIRMAN: I feel that we have had some very interesting information from Doctor Hood this morning, and if you are satisfied we will release him.

The Committee adjourned to meet Tuesday, March 14, 1933.

APPENDIX B

CANADIAN PACIFIC RAILWAY COMPANY

MAIL AND BAGGAGE TRAFFIC DEPARTMENT

MONTREAL, March 8, 1933.

A. A. FRASER, Esq.,
Clerk of Agriculture Committee,
House of Commons,
Ottawa, Ont.

Dear Mr. FRASER, Referring to your letter of the 28th ultimo, addressed to our Freight Traffic Department, and our conversation in Ottawa on the 7th instant regarding enquiry into the milk industry throughout Canada by the House of Commons Committee on Agriculture.

I am sending you herewith as you requested certified copies of this Company's tariffs of charges and instructions in respect of the transportation of fresh milk in its original state at present in effect, as follows:—

16 W.L.—Transportation of milk in baggage cars on passenger trains—
Western Lines.

30 E.L.—Transportation of milk in baggage cars on passenger trains—
Eastern Lines.

E. 13355-G—Quoting rates covering transportation of milk in freight service from Embro and Woodstock, Ontario to Toronto.

I also enclose, as promised you, a brief history of the rates for transportation of milk in baggage service, Eastern Canada.

The rates in effect on Western Lines have remained undisturbed for at least twenty-six years. The oldest tariff we have on file is dated May 1, 1907, and the schedule of rates published at that time is the same as quoted in Tariff 16 W.L., copy attached.

Yours truly,

W. E. ALLISON,
Manager, Mail and Baggage Traffic.

CANADIAN PACIFIC RAILWAY COMPANY

HISTORY OF RATES FOR TRANSPORTATION OF MILK IN BAGGAGE SERVICE— EASTERN CANADA

Baggage car service for the transportation of milk in its original state, and intended for immediate domestic consumption at destination, was inaugurated in 1886. The rates established at that time were as follows:—

For 40 miles or less, 15 cents per 8 gallon can.

Over 40 and up to 80 miles, 20 cents per 8 gallon can.

Over 80 and up to 120 miles, 25 cents per 8 gallon can.

A revision of these rates went into effect May 1, 1891, as follows:—

For distances 40 miles and under, 15 cents per 8 gallon can.

For distances 41 to 150 miles, 20 cents per 8 gallon can.

the effect of the revision being a reduction in the rates for carriage over 80 miles by 5 cents per eight-gallon can, with an extension of the maximum distance from 120 to 150 miles at 5 cents less per can than provided for by the rates of 1886.

In 1893 rates were established for milk in four-gallon cans, as follows:—

For 40 miles or less, 8c per 4 gallon can.

For 41 to 150 miles, 11c per 4 gallon can.

In June, 1911, the Board of Railway Commissioners heard an application made by the Montreal Milk Shippers' Association asking that the railway companies give a rate of 8 cents for a four-gallon can and 15 cents for an eight-gallon can, respectively, up to 75 miles, and 11 cents for a four-gallon can and 20 cents for an eight-gallon can for all distances over 75 miles; that is, increasing the distances over which the rates prescribed in the Tariff of 1893 on four-gallon cans were effective, and consequently effecting a reduction in rate on the four-gallon can, and that certain conditions of carriage of the milk traffic be prescribed.

By its Order No. 15413, dated 26th September, 1911, disposing of this application, the Board directed that on and after the 1st day of September, 1912, the railway company should not be required to accept for transportation any cans of milk of less capacity than eight gallons. This Order effected a cancellation of the rates filed in 1893 on four-gallon cans by abolishing the traffic in that quantity, leaving the rates on eight-gallon cans as prescribed by Tariff C.P.R. 165, dated May 1, 1891. The Order further prescribed certain conditions of carriage of the traffic, which had not therefore been settled, and which had been the subject of frequent complaint and disputes between the shippers and the carriers. These conditions, effective October 1, 1911, and the rates established at that time, have remained effective to this date, and are as published in Tariff 30 E.L., copy attached.

Certified True Copy

W. E. ALLISON,
Manager, Mail and Baggage Traffic.

C.R.C. No. 1310
(Cancelling C.R.C. No. 644 in
so far as milk traffic is
concerned)

Re-Issue

CANADIAN PACIFIC RAILWAY COMPANY

WESTERN LINES

Esquimalt & Nanaimo Railway - - The Kettle Valley Railway Company
SPECIAL LOCAL TARIFF FOR MILK
16 W.L.

Agent Will Stamp
[STAMP]
Date Received Here

CHARGES AND INSTRUCTIONS IN RESPECT OF TRANSPORTATION OF MILK
IN BAGGAGE CARS ON PASSENGER TRAINS

Issued August 15, 1927 Effective September 1, 1927

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RULES AND REGULATIONS

1. Application of Tariff:

When arranged for in advance, *milk* in cans or crates will be transported in baggage cars on trains acceptable to the Company at rates as given below.

2. Rates:

MILK—IMPERIAL MEASURE

Distances (Miles inclusive)		Capacity of Cans or Crates			
		5-gal. cans	8-gal. cans	10-gal. cans	Crates of 12 quart bot- tles or 24 pint bottles
		c.	c.	c.	c.
0 to	10 miles.....	13	18	23	15
11 "	25 ".....	14	19	24	16
26 "	50 ".....	16	20	25	18
51 "	60 ".....	17	22	26	19
61 "	65 ".....	18	23	28	20
66 "	70 ".....	19	24	29	21
71 "	75 ".....	20	25	30	22
76 "	80 ".....	22	26	31	24
81 "	85 ".....	23	28	32	25
86 "	90 ".....	24	29	34	26
91 "	95 ".....	25	30	35	27
96 "	100 ".....	26	31	36	28
101 "	105 ".....	28	32	37	30
106 "	110 ".....	29	34	38	31
111 "	115 ".....	30	35	40	32
116 "	120 ".....	31	36	41	33
121 "	125 ".....	32	37	42	34
126 "	130 ".....	34	38	43	36
131 "	135 ".....	35	40	44	37
136 "	140 ".....	36	41	46	38
141 "	145 ".....	37	42	47	39
146 "	150 ".....	38	43	48	40
151 "	155 ".....	40	44	49	42
156 "	160 ".....	41	46	50	43
161 "	165 ".....	42	47	52	44
166 "	170 ".....	43	48	53	45
171 "	175 ".....	44	49	54	46
176 "	180 ".....	46	50	55	48
181 "	185 ".....	47	52	56	49
186 "	190 ".....	48	53	58	50
191 "	195 ".....	49	54	59	51
196 "	200 ".....	50	55	60	52

3. Measure:

The foregoing rates are for Imperial Measure Capacity.

4. Conditions:

- The rates named are for the transportation of milk in cans and crates between any two stations in Canada on the Western Lines of the Canadian Pacific Railway to destination and return of the empty containers to original starting points in baggage cars (not iced or provided with cooling device) handled on passenger trains designated by the Railway Company.
- The rates shown apply only to milk in its original state, containing all its component parts, commonly known as whole milk and intended for immediate domestic consumption at destination on this Company's line. Condensed milk, cream or manufactured products or milk intended for any manufacturing purpose will not be carried under this tariff.

- (c) All the cans must have the name or initials of the owners on the cover or shoulder in stencilled (not painted) letters of a size not less than one inch.
- (d) All cans must bear the name of the shipping station in stencilled (not painted) letters of a size not less than one inch, the same to be placed on the shoulder of the can.
- (e) At stations at which agents are located all cans and crates shall be loaded on baggage trucks by the shippers. The Railway Company will load from trucks to baggage cars. At flag stations, shippers will load milk into baggage cars, except that at flag stations in British Columbia, when trains are more than one hour late, trainmen will load.
- (f) Milk cans or crates that are leaking or otherwise in such bad order as to endanger their contents must not be accepted for shipment.
- (g) Empty cans and crates will be loaded and unloaded by employees of the Railway Company, except that in British Columbia, when quantity is from 21 to 40 cans or crates, Consignee (milk shipper) will provide one man to assist in unloading and when quantity is more than 41, Consignee (milk shipper) will provide two men.
- (h) At destination the Company will assist Consignee to unload milk; in the event of trains being late and Consignee not being on hand, the Company will unload milk. When trains are on time and the Consignee makes a habit of not being on hand to assist in unloading, report the matter to head of Mail, Baggage and Milk Traffic Department of District.
- (i) Shippers must have their milk at the point of shipment, properly way-billed, a reasonable time before the arrival of the train on which milk is intended to be shipped.
- (j) Baggage-master will take receipt in the proper space from each consignee before removal of the milk from the Company's premises.

5. Billing:

Shipper will hand Agent waybill in triplicate, who will give shipper receipt on the original waybill and will record on his baggage waybill to train, and hand two copies of Milk Waybill to Train Baggage-man. Train baggage-man will record milk shipments on trip report and will turn over to Baggage Master at destination both copies of waybill. At destination Baggage Masters will take a receipt from Consignee on one copy, which will be sent to head of Mail Baggage and Milk Traffic Department of the District once a week, the third copy will be handed Consignee with milk. At flag stations, as shippers will load milk into baggage cars, train baggage-man will give receipt to shippers for the same.

Under no circumstances will milk be handled without billing. Shipper will hand one copy of waybill with empty cans or crates to Baggage Master, this to be handed to Train Baggage-man, who will turn in to the Mail, Baggage and Milk Traffic Department of the District with trip report. No receipt to be given or taken for empty cans or crates.

6. Tickets:

- (a) In addition to waybilling system as shown in clause (j) ticket of proper form must be attached to each can or crate as case may be, as under:—

CANS		CRATES	
Gallons	Form	Bottles	Form
5.	1273	12 quarts.	1298
8.	32	24 pints.	1299
10.	1274		

- (b) The capacity of the can or crate must be charged for. For instance, a five-gallon can, only partially filled, must have attached a five gallon ticket.
- (c) Two five (5) gallons will not be carried at the rate of one 10-gallon can. Can containing more than ten (10) gallons will not be received for carriage in baggage cars.
- (d) Tickets must be issued consecutively according to number and may be sold singly or in quantities to each purchaser. They are good for one year from date of sale, as stamped on back, and care must be taken to see that starting point and destination is properly filled in and tickets stamped at time of sale. Shippers who forward milk from flag stations must purchase tickets from nearest point at which they are on sale.
- (e) Conductors will detach from full cans the bottom coupon of milk ticket and send to Auditor of Passenger Receipts with their Form 40, also Form G.B.D. 34 to be completed by train baggageman.
- (f) Train Baggage man on return trip of empty cans or crates will detach coupon covering transportation of empty can and send to Auditor of Passenger Receipts.
- (g) When milk is carried over the runs of two or more Conductors, the first Conductor and intermediate Conductors will simply punch the bottom coupon and Conductor of train to destination will collect and send to Auditor of Passenger Receipts.
- (h) The Railway Company shall not be liable for the loss of, or damage to, or delay in any shipment of milk or empty cans or crates unless the same be caused by or result from the negligence of the Railway Company or its servants or agents.

7. Cream:

Cream must not be shipped in baggage cars at milk rates—it must be shipped by express or freight.

8. Damage:

In case of damage to cans or accidental loss of milk in transit, the facts must be immediately reported to the head of the Mail Baggage and Milk Traffic Department of the District, to whom all claims should be sent.

9. British Columbia Lake and River Steamer Lines:

The arrangements governing the shipment of milk on Rail Lines will also apply on all British Columbia Lake and River Steamer Lines.

Exception.—The minimum collection on each shipment from irregular ports of call will be twenty-five (25) cents, for example:—

If only one can of milk is shipped on which the rate for transportation would amount to fourteen (14) cents the minimum landing charge of twenty-five (25) cents should be collected; if, however, any shipment on which the transportation charges amount to more than twenty-five (25) cents, regardless of the number of cans the minimum landing charge of twenty-five (25) cents should not be collected.

Certified True Copy

W. E. ALLISON,
Manager, Mail and Baggage Traffic.

C.R.C. No. 1309
(Cancelling C.R.C. No. 540 in
as far as milk traffic is concerned
also C.R.C. Nos. 1071 and 1273)

Re-issue

CANADIAN PACIFIC RAILWAY COMPANY

EASTERN LINES

SPECIAL TARIFF FOR MILK

30 E.L.

(Cancelling Tariff 100 E.L. so far as Milk charges are concerned,
also Fare Advices 3035 and 3051)

Agent With Stamp
[STAMP]

Date Received Here

CHARGES AND INSTRUCTIONS IN RESPECT OF TRANSPORTATION OF MILK IN BAGGAGE CARS ON PASSENGER TRAINS

Issued August 15, 1927

Effective September 1, 1927

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RULES AND REGULATIONS

1. Application of Tariff:

When arranged for in advance, milk in cans will be transported in baggage cars on trains acceptable to the Company at rates as given below.

2. Rates:

	Imperial Measure
Between any two stations	8 Gallon Cans
For distances 40 miles and under.. . . .	15 cents
" " over 40 miles up to 150 miles	
inclusive..	20 "

Exceptions:

(a) From Erindale, Ont., to Toronto, Ont.

Crates containing 18 one-quart bottles, 25 cents per crate.

" " 20 half-pint bottles, 15 " "

From Erindale, Ont., to Hamilton, Ont., via Guelph Jct.

Crates containing 12 quart bottles or 20 pint bottles, 20 cents per crate.

- (b) From Beaconsfield, Que., only to Montreal, Que.
Cases of bottled milk containing not more than three gallons, whether in pint or quart bottles, will be carried at same rate as 8 gallon cans are carried.
Cases containing more than 3 gallons of milk each will not be received for carriage on passenger trains.
- (c) From Montreal (Place Viger Station) to Shawinigan Falls, Que.
Crates containing 12 quart bottles—20 cents per crate.
- (d) Between Toronto and Montreal—50 cents per 8 gallon can.
- (e) Between Renfrew and Sudbury—42 cents per 8 gallon can.
Between Eganville and Sudbury—44 cents per 8 gallon can.

3. Measure:

The foregoing rates are for Imperial Measure Capacity.

4. Conditions:

- (a) The rates named are for the transportation of milk between any two stations in Canada on the Eastern Lines of the Canadian Pacific Railway to destination and return of the empty containers to original starting points in baggage cars (not iced or provided with cooling device) handled on passenger trains designated by the Railway Company.
- (b) The rates shown apply only to milk in its original state, containing all its component parts, commonly known as whole milk and intended for immediate domestic consumption at destination on this Company's line. Condensed milk, cream or manufactured products or milk intended for any manufacturing purpose will not be carried under this tariff.
- (c) All the cans must have the name or initials of the owners on the cover or shoulder in stencilled (not painted) letters of a size not less than one inch.
- (d) All cans must bear the name of the shipping station in stencilled (not painted) letters of a size not less than one inch, the same to be placed on the shoulder of the can.
- (e) Each can or crate of milk shall have attached to it, in addition to the milk ticket, a shipping tag addressed to the consignee—this tag to be attached by the shipper.
- (f) Covers of cans must be securely attached to the can to prevent spilling or pilferage of contents and where possible they should be wired on and sealed with lead seals.
- (g) All cans and crates shall be loaded by the shippers at the shipping point.
- (h) Where the number of empty cans or crates returned is twenty or less, the unloading at the shipping point will be done by employees of the Railway Company, where the number of cans or crates is more than twenty and less than forty the shippers shall provide one man at the shipping point for the purpose of assisting in the unloading. Where the number of cans or crates is forty or more, the shippers shall provide two men for the purpose of assisting in the unloading, provided that shippers shall not be required to attend at the shipping point to assist in unloading at more than one train each day, and in the event of trains being delayed more than thirty minutes beyond the scheduled time of arrival, all empty cans or crates will be unloaded by the employees of the Railway Company.
- (i) Consignees must take delivery at door of baggage cars on arrival of trains.

5. *Tickets:*

- (a) Tickets must be issued consecutively according to number and may be sold singly or in quantities to each purchaser. They are good for one year from date of sale, as stamped on back, and care must be taken to see that starting point and destination is properly filled in and tickets stamped at time of sale. Shippers who forward milk from flag stations must purchase tickets from nearest point at which they are on sale.
- (b) Conductors will detach from full cans the bottom coupon of milk ticket and send to Auditor of Passenger Receipts with their train report, Form 40, also Form G. B. D. 34 to be completed by train baggageman.
- (c) Train baggageman on return trip of empty cans will detach second coupon covering transportation of empty cans and send to Auditor of Passenger Receipts.
- (d) When milk is carried over the runs of two or more Conductors, the first Conductor and intermediate Conductors will simply punch the bottom coupon and Conductor of train to destination will collect and send to Auditor of Passenger Receipts.
- (e) The Railway Company shall not be liable for the loss of, or damage to, or delay in any shipment of milk or empty cans or crates unless the same be caused by or result from the negligence of the Railway Company or its servants or agents.

6. *Cream:*

Cream must not be shipped in baggage cars at milk rates—it must be shipped by express or freight.

7. *Damage:*

In case of damage to cans or accidental loss of milk in transit, the facts must be immediately reported to the head of the Mail, Baggage and Milk Traffic Department of the district, to whom all claims should be sent.

8. *Billing:*

- (a) Milk shipped in eight (8) gallon cans will be handled on memorandum billing forms, supply of which can be obtained from the Stationery Agent on application. This will be supplemental to the ticket system now in effect.
- (b) At stations where the Company has regular agents, such agents will fill in the forms from information supplied by the shippers.
- (c) At flag stations the billing is to be done by the shippers in legible writing on one form provided the consignments are for the one destination—if more than one destination, separate forms are to be used.
- (d) Shippers must have their milk at the point of shipment, properly way-billed, at least fifteen minutes before the arrival of the train on which milk is intended to be shipped.
- (e) Memorandum bills when completed by agents or milk shippers are to be handed train baggageman who will deliver them with the milk to the Baggage-master at destination.
- (f) Baggage-master will take receipt in the proper space from each consignee before removal of the milk from the Company's premises.
- (g) Memorandum forms to be kept on file in Baggage-master's office for ninety days, after which time they may be destroyed.

Tariff Certificate as a true copy,

A. WALKER, General Freight Agent.

Re-Issue
Reduction
Addition
Change

C.R.C. No. E. 4615
(Cancelling C.R.C. No. 5. 4609)

C. P. RY. TARIFF No. E. 1355-G CANCELLING No. E. 1355-F

For Carriers' Individual Tariff Numbers, see page 2

CANADIAN PACIFIC RAILWAY COMPANY

LINES WEST FORT WILLIAM, FORT WILLIAM, ONT., AND EAST THEREOF
IN CONNECTION WITH PARTICIPATING CARRIERS SHOWN OF PAGE 3

Special Local and Joint Competitive Freight Tariff on Various Commodities
Between Stations on the Canadian Pacific Railway Company
also to and from Stations on Connecting Lines

Except as otherwise specified, rates named here in apply only between points indicated and must not be used for constructing combination rates.

Governed, except as otherwise provided, by Canadian Freight Classification
No. 18, C.R.C. No. 427 (G. C. Ransom, Agent).

Issued December 30th, 1932

Effective January 1st, 1933

C.P.Ry. TARIFF No. E. 1355-G, Page 15

SECTION 2

COMPETITIVE RATES TO MEET MOTOR TRUCK OR MOTOR TRUCK AND WATER COMPETITION; WILL NOT APPLY
FROM OR TO INTERMEDIATE POINTS

Item Nos.	Application	Rates in cents per 100 lbs. Except as otherwise specified
1020	<p>Milk, in eight gallon cans, imperial measure, any quantity.</p> <p>From { Embro.....Ont. } to Toronto.....Ont.</p> <p>From { Woodstock....." } to Toronto.....Ont.</p> <p>The rate shown applies only to milk in its original state, containing all its component parts, commonly known as whole milk and intended for immediate domestic consumption at destination on this Company's line. Condensed milk, cream or manufactured products or milk intended for any manufacturing purpose, will not be carried under this tariff.</p> <p>Expires with March 31st, 1933, unless sooner cancelled, changed or extended.</p> <p>Rate first established Supp. 11 to tariff 1355 E. Eff. June 8, 1932.</p>	(17) 15 cents per can.

No. 891

BY-LAW CONCERNING MILK AND TO REPEAL SECTIONS 18, 19, 20, 21, 22 AND 23
OF BY-LAW No. 105

(Adopted by the Executive Committee on the 8th June, 1925, and, by the Council, on the 20th July, 1925)

At a meeting of the Executive Committee of the City of Montreal, held at the City Hall, on the eighth day of June, 1925, in the manner and after the observance of the formalities prescribed by law, at which meeting were present: Aldermen Brodeur, Chairman, O'Connell, Bédard, DesRoches and Jarry, members of said Committee, and

At an adjourned special meeting of the Council of the City of Montreal held in the City Hall, on the 20th July, 1925, in the manner and after the observance of the formalities prescribed in and by the Act of incorporation of the said City, at which meeting were present: Alderman J. A. Savard, Acting-Mayor, in the Chair, Aldermen Turcot, Vandelac, Rubenstein, Brodeur, Bédard, Creelman, DesRoches, Gagnéux, Langlois, Emond, Quintal, Trépanier, Riel, Lalonde, Vaillancourt, Angrignon, Gareau, Mongeon, Tessier, Jarry, Levine, Hogan, Schubert, Watson, Desaulniers, Dubreuil and Legault.

It was ordained and enacted as follows:—

CHAPTER I

DEFINITIONS

Article 1.—Whenever the following words occur in this by-law, they shall, unless the context otherwise requires, be understood as follows:—

- | | |
|---------------------------------|---|
| Milk. | (a) The word milk shall mean special milk, pasteurized milk, sterilized milk, homogenized milk, skim-milk, fermented milk, condensed milk, dessicated milk, butter-milk, whey and all milk prepared or treated in any way whatsoever. |
| Cream. | (b) The word cream shall mean special cream, pasteurized cream, sterilized cream, homogenized cream, ice-cream and all cream prepared or treated in any way whatsoever. |
| Word "milk" taken individually. | (c) The word milk taken individually shall mean, unless otherwise specified, milk or cream, whether separated or combined, but always according to the definitions given in paragraphs (a) and (b) of the present article. |
| Dealer. | (d) The word dealer shall mean any person or company selling or having milk in his or its possession for sale, delivery or exchange. |
| Person. | (e) The word person shall mean the owner or owners, the president, manager, representative, employee or authorized agent of any company or establishment producing, shipping, storing, selling, transporting or delivering milk. |
| Shipper. | (f) The word Shipper shall mean any person shipping or transporting milk which comes from his farm or from another farm. |
| Supplier. | (g) The word supplier shall mean any person who produces milk and supplies the same to any shipper or dealer. |
| Establishment. | (h) The word establishment shall mean the whole of the buildings (dairy, stable, etc.), and the conveyances, furniture, utensils and apparatus used by dealers, suppliers and shippers respectively for the purposes of their trade. |

- (i) The word dairy shall mean the building or the reserved part of an establishment where milk is received, cooled, stored, sold or kept for sale, handled or treated in any way whatsoever. Dairy.
- (j) The word creamery shall mean any establishment situated outside of the limits of the City, where milk is received from several suppliers. Creamery.
- (k) The words utensils and apparatus shall mean the milking machines; the apparatus used for refrigerating, pasteurizing, homogenizing, sterilizing, separating, clarifying, preparing or treating milk in any way whatsoever; the pumps and pipes through which the milk passes; the vessels and apparatus for gathering, measuring, shipping, transporting, receiving, cooling, containing or delivering milk, as well as the devices used for cleaning and drying said vessels, utensils and apparatus. Utensils and apparatus.
- (l) The word tank shall mean the box, constructed of wood or cement or other material, in which milk is cooled or stored in ice-water. Tank.
- (m) The word law shall mean the federal laws of Canada, the Quebec Public Health Act, the by-laws of the Board of Health of the Province of Quebec and the by-laws of the City of Montreal. Law.
- (n) The words health department shall mean the Health Department of the City of Montreal. Health Department.
- (o) The word city shall mean the City of Montreal. City.
- (p) The word permit shall mean the written authorization given by the Health Department for the issuing of a licence to a dealer. Permit.
- (q) The word licence shall mean the authorization given by the City to a dealer to trade in milk. Licence.

CHAPTER II

DEALERS TO BE LICENSED

Article 2.—All dealers must, before trading in milk in the City, obtain from the City a licence to that effect. Such licence shall be issued by the City Treasurer, upon presentation of a permit from the Health Department, certifying that the provisions of the present by-law have been complied with, and upon payment of the licence fee specified in By-law No. 432 and its amendments. Licence.

The said licence must be renewed every year on or before the first day of the month of May. To be renewed each year.

Such licence shall be personal and shall not be transferable. Not transferable.

Article 3.—No permit shall be issued before an inspection is made of the establishment of the dealer applying for the same. Inspection of establishments.

Article 4.—Every application for a permit shall be made upon a special form supplied by the Health Department, such form to show:— Special form of application for permit.

- (a) The name, forename (firm-name, if any) and business-address of the dealer and the nature of the business carried on by the latter. If a company, the name and the business-address of the company, the nature of its business and the names of its president and manager shall be given;

- (b) The names, forenames and addresses of all the shippers and of all the suppliers with whom the dealer transacts business, together with the quantity of milk received by the dealer from each shipper and each supplier;
- (c) The names, forenames and addresses of all the suppliers of the shippers with whom the dealer transacts business, together with the quantity of milk received by each shipper from each of his suppliers.

If there are several middlemen between the suppliers and a shipper, the names, forenames and addresses of all the middlemen and of all the suppliers shall be mentioned together with the quantity of milk supplied by each of them;

- (d) The mode of transportation, the name of the railway station, wharf or place of shipment and of the place of reception.

Notice to be given.

Article 5.—Every dealer to whom a licence has been granted shall, whenever he buys milk from a new supplier, or a new shipper, notify the Health Department of the fact and furnish to the said Department, in each case, the information mentioned in paragraphs (b), (c) and (d) of article 4 of this by-law.

No permit granted and licence revoked in certain cases.

Article 6.—No permit shall be granted to, and the licence issued by the City shall be withdrawn from any dealer:

- (a) Whose establishment does not meet the requirements of the law;
- (b) Who refuses to allow his establishment to be inspected at any time;
- (c) Who refuses or fails to furnish, within three days, any information asked for by the Health Department;
- (d) Who, after having been duly warned in writing, receives milk from a supplier or shipper or from a shipper's supplier who refuses or has refused to allow his establishment to be visited and inspected, or whose establishment does not meet the requirements of the law;
- (e) Who, after having been duly warned in writing, receives milk produced, shipped or transported under conditions contrary to the requirements of the law;
- (f) Who refuses or fails to comply with the provisions of article 5 of this by-law.

CHAPTER III

STORAGE, SALE, DELIVERY AND TRANSPORTATION

Tuberculin test and pasteurization.

Article 7.—From and after the 1st of May, 1926, milk sold by any dealer in the City must come from cows which have undergone the tuberculin test within a period of less than twelve (12) months, in accordance with article 155 of the present by-law, and are perfectly healthy, and, with the exception

- (a) of special milk which conforms to the provisions of article 89 of the present by-law, and
- (b) of milk which has been sterilized in accordance with article 90 of said by-law.

milk sold by any dealer in the City shall be pasteurized in accordance with the provisions of the present by-law.

Article 8.—The sale of milk is forbidden in abattoirs, butchers' stores, butchers' stalls, fish stores, public markets and in all places where the atmosphere may be detrimental to its quality and wholesomeness, either through uncleanness of the premises or through the nature of the goods therein exhibited, kept, sold or offered for sale.

Sale of milk in butchers' shops, etc., prohibited.

Article 9.—In restaurants, groceries or other stores and in all other places where it is sold by retail, milk shall be received and shall be sold only in bottles and without any decanting.

Sale of milk in groceries, restaurants, etc.

This provision shall not apply to cream received in restaurants, groceries or other stores and sold therein by retail.

Article 10.—Vehicles of any description used for the conveyance or delivery of milk shall be clean and shall be exclusively reserved for such purpose. It shall, however, be lawful to convey milk products and eggs at the same time as milk.

Vehicles to be clean.

Each vehicle shall bear, on both sides, an inscription indicating the name (or firm-name), forename or initials and address of the dealer in letters not less than three (3) inches high by two (2) inches wide.

Article 11.—In railway cars, boats and other conveyances, milk cans and other milk containers, whether empty or filled, shall not be placed with other goods or articles which are dirty or which emit a bad odour.

Cans and other containers not to be in contact with dirty goods.

Article 12.—Cans and bottles and other milk containers used for the transportation or delivery of milk shall be protected from the sun, mud, dust and flies, whether filled or empty, and shall be kept in a clean atmosphere.

Milk containers not to be exposed to sun, dust, etc.

Article 13.—Cans and other receptacles containing milk must be properly stoppered.

Cans, etc., to be stoppered.

Article 14.—It is forbidden to decant milk on a wharf, on the platform of a railway station or on a public road.

Decantation of milk on wharf, etc., prohibited

Article 15.—It is forbidden to allow any milk cans or other milk containers, whether filled or empty, to remain on a public road.

Cans not to be allowed to remain on a public road.

Article 16.—It is forbidden to carry water at the same time as milk in any conveyance used for transporting or delivering milk.

Carrying of water forbidden.

Article 17.—No person shall return to a dealer any empty bottles or cans which have not been washed.

Bottles, etc., to be washed before being returned.

Article 18.—No bottles or cans shall be used for subsequent delivery of milk without having been first washed, in accordance with article 30 of this by-law.

Bottles, etc., to be washed before each delivery of milk.

Cans and other
containers to
be washed
before being
placed on a
wharf, etc.
Labels on
cans.

Article 19.—No milk cans or other milk containers shall be returned empty or placed on a railway station platform or wharf or elsewhere without having first been properly washed, in accordance with article 30 of this by-law.

Article 20.—All cans used for shipping, transporting, storing, selling or delivering milk shall bear a label indicating, in visible and legible type, the names, forenames and addresses of the shipper as well as of the supplier and consignee.

Name of
dealer to be
inscribed
on all
receptacles.

Article 21.—All bottles or other receptacles containing milk, in the possession of a dealer, shall bear an inscription indicating the name, forename (or firm name) and address of the latter.

Such inscription may be made on the cardboard stopper.

The provisions of this article shall not apply to retail dealers, who shall receive and sell milk only in bottles.

Sealing of
cans.

Article 22.—All cans used for shipping or transporting milk shall be sealed with a lead seal or in any other efficient manner.

Unlabelled
and unsealed
bottles or cans
may be
confiscated
or destroyed.

Article 23.—The contents of any milk bottle or can which is not labelled or sealed, in accordance with articles 20, 21 and 22 of this by-law, may be confiscated or destroyed.

The Director of the Health Department may dispose of the milk confiscated, in virtue of this article, for charitable purposes.

Cans not to
be left for
more than
30 minutes
on railway
platforms
or wharves.

Article 24.—Cans or other receptacles containing milk shall not be placed on a railway station platform or wharf more than thirty (30) minutes before the departure of the train or boat, nor be left there for more than thirty (30) minutes after the arrival of the train or boat, from the 1st of May to the 1st of October.

Bottling of
milk outside
of dairy, etc.,
prohibited.

Article 25.—Dealers are forbidden:—

- (a) To bottle milk elsewhere than in the dairy;
- (b) To receive or have in their possession milk in a can the aperture of which has a diameter of less than four (4) inches;
- (c) To receive or have in their possession milk the temperature of which is above fifty (50) degrees Fahrenheit.

Designation
of the quality
of milk.

Article 26.—Dealers are also forbidden to use, for the purpose of designating the quality of milk, any inscriptions other than those prescribed in the present by-law.

Any dealer may, however, with the authorization of the Health Department, add to such inscriptions a special mark, whereby his product can be distinguished from that of another dealer.

CHAPTER IV

UTENSILS AND APPARATUS

Utensils
and apparatus
to be kept
in good order.

Article 27.—The utensils and apparatus used in the milk trade shall be reserved exclusively for the handling of milk and shall be kept in good order, their different parts to be solidly welded, the grooves to be well filled with solder and the surface in contact with the milk to be smooth, even and free from rust. All such utensils and apparatus shall be of recognized sanitary design.

Article 28.—The different parts of the milking machine shall be rinsed with cold water or lukewarm water immediately after, and each time, it has been used, and shall then be cleansed in accordance with article 30 of this by-law. Parts of milking machine to be washed.

Article 29.—The tubes of the milking machine shall be kept in the dairy in a non-oxidizable metallic receptacle, with a tightly closing cover. Tubes to be kept in dairy.

The other parts of the milking machine shall also be kept in the dairy, after they have been cleansed.

Article 30.—The utensils and apparatus, after having been rinsed with lukewarm or cold water, shall be cleansed in a hot soap or alkaline solution, rinsed again to completely remove the solution used and then sterilized with boiling water or steam. Utensils and apparatus to be kept clean.

They shall always be kept perfectly clean until they are used again. Milk receptacles shall be placed upside down.

Article 31.—The utensils and apparatus and the cardboard caps for stoppering bottles shall be kept in the dairy and shall be protected against flies, dust and all contamination. Utensils, apparatus and card-board caps to be kept in dairy.

Article 32.—Any can or other container, utensil or apparatus used in the sale, delivery or handling of milk, which is found unsuitable for such purposes owing to its being worn out or on account of its rusty state inside or outside or owing to its being in such condition that it cannot be cleaned or made salubrious by washing, shall be condemned by the inspectors of the Health Department. Worn-out utensils and apparatus.

Each can, container, utensil or apparatus thus condemned shall be marked with a stamp or label, so as to visibly show that it has been condemned and, after having thus been condemned and stamped, it shall not be used by any person whomsoever for the sale, delivery, shipment or handling of milk.

CHAPTER V

DAIRY

Article 33.—All persons dealing in milk shall have a dairy exclusively reserved for milk and for the apparatus and utensils required for handling the same. Dairy.

Article 34.—With the exception of dairies the owners of which hold a dairy licence issued previous to the coming into force of this by-law, the dairy shall be a special building located at a distance of not less than twenty (20) feet from any stable, cattle-shed, sheep-fold or chicken-coop, and of not less than one hundred (100) feet from any unsanitary establishment, pig-pen, privy, manure heap or refuse heap of organic origin; if the manure is put in a tight and properly closed concrete box with a sufficiently high ventilator, the distance from the dairy to the manure box may be reduced to twenty (20) feet. Site.

Article 35.—The floor of each room of the dairy shall be made of cement, stone, cemented bricks or other water-proof material. Floors.

Windows.

Article 36.—The dairy shall have windows with a glass area equal to at least one-tenth ($\frac{1}{10}$) of the floor area.

Windows not to be obstructed.

Article 37.—Windows shall not be obstructed by any building or in any other manner whatsoever.

Fly-screens.

From the first day of May to the first day of November, the doors and windows shall be provided with efficient fly-screens.

Walls, etc., to have a smooth surface.

Article 38.—The ceiling, walls and floor of each room shall have a smooth surface, free from holes and cracks.

Drainage and ventilation.

Article 39.—All the rooms shall be provided with a sanitary drainage system and an efficient ventilation system.

Painting.

Article 40.—The inside walls and the ceiling of the dairy, as well as the tank, ice-box, racks and tables, shall be painted in white or in a light colour or white-washed.

Refrigeration and storage.

Article 41.—The dairy shall be provided with a tank, an ice-box or a refrigerating-room exclusively reserved for the cooling and storage of milk, butter or other milk products or eggs. All the interior surface of the tank, refrigerating-room or ice-box shall be kept clean.

Tank.

Article 42.—The tank shall have a cover and shall be so constructed as to be emptied through the bottom.

When the tank is built into the ground, its upper edge shall be higher by at least six (6) inches than the surface of the floor of the dairy.

Certain operations forbidden in the dairy.

Article 43.—The manufacture of butter or cheese, the fermentation of cream, the preparation of buttermilk, fermented milk or casein, the washing of cans and bottles and all other similar operations shall be performed in separate and special rooms of the dairy.

(a) This article shall not apply to the supplier who ships only milk produced in his establishment, provided that he does not ship more than one hundred (100) gallons of milk per day.

(b) The manufacture of butter shall be allowed in the pasteurization-room or in the bottling-room.

Rooms and out-buildings not to be used as a dairy.

Article 44.—It is forbidden to use as a dairy any room whatsoever in a dwelling, a summer kitchen, an extension, the cellar of a dwelling or store, a shed or a coach-house; a dairy may, however, be built close to or, in the case of an owner holding a dairy licence issued previous to the coming into force of this by-law, in the cellar of a shed, of a coach-house or of a house, provided that the said dairy be separated from the same by a solid wall or a solid floor, as the case may be, without any opening communicating with the inside of such shed, coach-house or house.

Privy, etc.

Article 45.—If there is a privy in the building, the same shall have a window opening outwards with a glass area equal to at least one-tenth ($\frac{1}{10}$) of the floor area. A sky-light shall be allowed. The privy shall be separated from the dairy by a vestibule or passage,

the door of the privy and that of the vestibule leading into the dairy shall close automatically.

The number of compartments, in the privy, and the number of urinals and wash-basins shall be proportionate to the number of employees. Soap and towels shall be supplied. The use of roller-towels is prohibited.

Article 46.—Every dairy shall be provided with a cloak-room Cloak-room. for the exclusive use of the employees.

Such cloak-room shall be so constructed as to have no direct communication with those parts of the dairy where the milk is handled, and shall conform to the by-laws of the Health Department.

Article 47.—It is forbidden to put away and keep in the dairy Old utensils. any worn-out apparatus or utensils or other objects not used in handling the milk.

Article 48.—In a restaurant, grocery or other store, a tank or a Dairies in stores. special ice-box or a refrigerating-room may be used as a dairy for the storage of milk, butter, lard and eggs only; cheese may also be stored therein, provided that it be so stored in a compartment separated from that in which the milk is kept.

Article 49.—The water used in the dairy shall be clear, clean, Water to be wholesome. wholesome and free from any bad odour, and the source from which it is derived shall be protected against all contamination.

Article 50.—The ice used for cooling or preserving milk shall be Ice. clean and wholesome, and the water from which it is formed shall be free from all contamination.

Article 51.—The interior of the dairy and its surroundings shall Cleanliness. be kept thoroughly clean.

Article 52.—The sides of the tank and ice-box, the ceiling, the Mould. walls and floors of the refrigerating-room and of all the rooms of the dairy shall be free from mould.

Article 53.—No domestic animals shall be allowed to go into Domestic animals to be excluded. the dairy.

Article 54.—Dealers and their employees shall always be clean Cleanliness of dealers, etc.: use of tobacco and expectoration prohibited. about their person and shall wear clean clothes, and the use of tobacco, under any form whatsoever, as well as any expectoration are strictly prohibited in the dairy.

CHAPTER VI

STABLE

Article 55.—The floor of every new stable, or of every stable the Floor and gutter. flooring whereof is to be repaired or renewed, shall be constructed of cement or other water-proof material, and there shall be, in every such stable, a gutter not less than seven (7) inches deep by at least fourteen (14) inches wide, immediately behind the animals.

Liquids shall flow outside in a covered ditch or may be gathered in some absorbent material.

Floors to slope.

Article 56.—The floors shall slope towards the gutter.

Width of floor.

The width of the floor between the wall and each row of cows or between two rows of cows, placed tail to tail, shall be at least six (6) feet.

Walls and ceiling.

Article 57.—The ceiling and walls of the stable shall have a smooth surface, without any cracks where dust might gather.

Air space.

Article 58.—The number of animals to be housed in the stable shall be limited so that there shall be a space of at least five hundred (500) cubic feet for each of them.

Lighting.

Article 59.—The glass area of the windows shall be equal to at least one twentieth ($1/20$) of the floor area.

Windows.

Article 60.—The windows shall not be fastened but shall admit of their being opened, as far as possible downwards.

Ventilation.

Article 61.—The stable shall have an efficient ventilation system.

General cleanliness.

Article 62.—The stable and its surroundings shall be constantly kept clean.

Troughs and mangers to be emptied each day, etc.

Article 63.—The troughs and mangers shall be emptied every day. The manure shall be removed, the litter shall be renewed and the stable shall be swept twice a day.

Dust and cobwebs.

Article 64.—The ceiling, walls and windows of the stable shall be kept free from dust and cobwebs, while the animals are stabled.

Whitewashing and painting.

Article 65.—The ceiling and walls shall be white-washed between the 1st of October and the 15th of November; if painted, the paint shall be cleaned once a year.

Drainage of stable-yard.

Article 66.—The stable-yard shall be drained or sloped in order that the water may easily flow off.

Manure.

Article 67.—It is forbidden to deposit any manure in the stable-yard; manure shall be carried to a distance of at least fifty (50) feet from the stable, unless it be kept in a tight and properly closed cement box, without any communication with the stable, and provided with an efficient ventilation system.

Poultry and pigs to be excluded.

Article 68.—It is forbidden to keep poultry or pigs in the stable.

Pigsty.

Article 69.—The stable shall be located at a distance of at least forty (40) feet from the pigsty.

CHAPTER VII

COWS AND MILKING

Cows to be free from any disease.

Article 70.—Cows shall be free from any disease. Any cow suspected to be diseased shall be isolated in special quarters apart from the stable.

The quarters which have been occupied by an animal affected with a contagious disease shall be disinfected, in accordance with the instructions given by the Health Department. Disinfection.

Article 71.—Cows shall be fed with wholesome food. Feed.

Article 72.—The water given to cows shall be pure and its source shall be protected against all contamination. The well shall have a curb to prevent the surface water from flowing into it; it shall not be dug into the subsoil of the stable, but shall be located at a distance of at least forty (40) feet from the stable, the pigsty and any manure or organic refuse heap, unless it be an artesian or tubular well. Water.

Article 73.—The cows shall be constantly kept clean, without any stain from dust, mud or dung. They shall be groomed each day and be given an abundant litter of straw, sawdust, shaving or other absorbent material. Cows to be kept clean.

Article 74.—The distribution of dry fodder, the cleaning up of the stable and the taking out of manure shall be done at least thirty (30) minutes before milking time. Cleaning-up of the stable.

Article 75.—Cows shall be milked at least once every twenty-four (24) hours. Milking every 24 hours.

Article 76.—The udder, teats, sides and tail of each cow shall be cleansed before milking. Cleanliness during milking.

Article 77.—The stool used by milkers during milking shall be clean. Stool.

Article 78.—The milker shall wash his or her hands before milking, shall be clean about his or her person and shall wear clean clothes. Cleanliness of milker.

Article 79.—The first gushes from each teat shall not be gathered in the pail with the rest of the milk, but shall be thrown away. First gushes of milk.

Article 80.—Immediately after milking, the milk shall be taken to the dairy and strained through a piece of flannellette doubled up, or in any other manner approved of by the Health Department. Filtering of milk.

Article 81.—Cloths used for straining milk shall be washed after each operation and scalded for at least fifteen (15) minutes and kept in a clean place. Cloths to be kept clean.

Article 82.—After milking, the milk shall be directly strained into the can in which it is to be stored or transported. Milk to be strained directly into can.

Article 83.—The cooling of the milk shall be proceeded with immediately after milking. Cooling of milk.

(a) Milk shall be cooled down by immersing in ice-water the can in which it has been poured, or in any other manner approved by the Health Department.

(b) Milk shall be cooled down to at least forty-five (45) degrees Fahrenheit, within two hours following the milking.

- (c) Milk shall be kept at or below forty-five (45) degrees Fahrenheit.

Milk not to be cooled in a well, etc.

Article 84.—It is forbidden:—

- (a) To cool or preserve milk in a well;
- (b) To milk cows on dirty ground.

CHAPTER VIII

MILK

Definition.

Article 85.—Milk is the wholesome, pure and whole product obtained through the complete and uninterrupted milking, under proper conditions, of one or more healthy cows, properly fed and taken care of and which have undergone the tuberculin test, in accordance with article 155 of the present by-law, to the exclusion of the milk obtained during the thirty (30) days preceding and the ten (10) days following calving.

Contents and density.

Article 86.—Milk shall contain at least three and one-fourth (3.25) per cent of milk fat and sixty-eight hundredths (0.68) of one per cent of salts. The total of solids of milk other than fat shall be at least eight and a half (8.5) per cent. Milk must not contain a proportion of water higher than eighty-eight and twenty-five hundredths (88.25) per cent. The density shall not be below 1.029 nor above 1.033.

Foreign matter.

Article 87.—Milk shall contain no preservatives, antiseptics or any other foreign matter and no pathogenic bacteria; it shall not show any abnormal physical character, such as bitterness, viscosity or colouring in red, yellow or blue; its taste or smell shall reveal no contamination; it shall be free from any soiling by flies or other insects, or by dung or any other substance.

Old milk not to be received, etc.

Article 88.—It is forbidden:—

- (a) To receive milk older than thirty-six (36) hours, with the exception of the Saturday milk;
- (b) To have in one's possession milk older than forty-eight (48) hours;
- (c) To ship, receive or have in one's possession milk the degree of acidity of which is above twenty-one hundredths (0.21) of one per cent, or below sixteen hundredths (0.16) of one per cent;
- (d) To have in one's possession or sell milk from which a portion of the fat has been removed;
- (e) To have in one's possession or sell milk to which skim-milk or cream, or condensed milk, or dessicated milk has been added.

The provisions of this article shall not apply to cream. It is, however, forbidden to receive, have in one's possession, ship or sell cream the degree of acidity of which is above sixty hundredths (0.60) of one per cent, or cream having a bad odour or a bad taste; taste of coal-oil, of thlaspi (shepherd's purse), of onion, etc.

SPECIAL MILK

Article 89.—Special Milk is milk which meets the following re- Definition.
quirements:—

- (a) It must not contain more than fifty thousand (50,000) bacteria per cubic centimeter from June to September inclusive, or more than twenty-five thousand (25,000) bacteria per cubic centimeter from October to May inclusive.
- (b) It must not have been pasteurized nor sterilized.
- (c) It must have been cooled down to at least forty-five (45) degrees Fahrenheit within thirty (30) minutes after milking and kept at that temperature or at a lower temperature until delivered to the consumer.
- (d) It must come from a farm whose owner and employees have filed, each year, with the Health Department of the City, a certificate of good health, signed by a licensed physician.
- (e) It must come from a farm which has obtained at least 80 points on the dairy score card, any contestation in connection with such points, as far as the sale of special milk is concerned, to be submitted, for final decision, to a committee composed of three inspectors of the Health Department.

STERILIZED MILK

Article 90.—Sterilized milk is milk all the component parts Definition.
of which have been uniformly heated during at least thirty (30) minutes, at a temperature of at least two hundred and thirty (230) degrees Fahrenheit, without any drop in the temperature during the operation, or which has been sterilized by any other physical process approved by the Health Department. Sterilization must have been done in hermetically closed bottles or other receptacles, which shall not be opened until the moment when the milk is consumed. The milk must be sterile; it must not contain, before sterilization, more than two-tenths (0.2) of one per cent of acidity, nor more than one hundred thousand (100,000) bacteria per cubic centimeter.

PASTEURIZED MILK

Article 91.—Pasteurized milk is milk all the component Definition.
parts of which have uniformly been heated during at least thirty (30) minutes at a temperature of one hundred and forty-two (142) to one hundred and forty-five (145) degrees Fahrenheit, without any drop in the temperature during the heating. The milk must have been cooled down, within forty-five (45) minutes immediately after the operation, to a temperature of at least forty-five (45) degrees Fahrenheit and kept at that temperature until delivered to the consumer. Pasteurized milk is also milk which has been pasteurized by any other physical process approved of by the Health Department.

It must not contain, at the time of delivery to the consumer, more than one hundred thousand (100,000) bacteria per cubic centimeter.

Article 92.—The pasteurization and the cooling of milk shall Apparatus to
be properly
closed.
be done in properly closed apparatus.

Recording
thermometer.

Article 93.—Every pasteurization and sterilization apparatus shall be provided with a recording thermometer in good order. The Health Department may, moreover, adapt to such apparatus its own recording thermometer. The records shall be removed at each pasteurization or sterilization and communicated to the Health Department, according to the instructions given to dealers.

Bottling.

Article 94.—Pasteurized milk shall, immediately after pasteurization and before being removed from the establishment where it has been pasteurized, be put in bottles or cans, which shall previously be washed and sterilized and which shall be properly closed immediately after bottling; such milk shall be delivered, sold or kept in its containers, without any subsequent decanting.

Pasteurized milk may be put in cans only when sold for culinary or industrial purposes.

Labelling.

Article 95.—Each receptacle containing special or sterilized or pasteurized milk shall bear a label or an inscription showing, in visible type, the name of the product, preceded by the word special, sterilized or pasteurized, according to the contents.

Re-pasteurization, etc.,
of milk
prohibited.

Article 96.—Pasteurized or sterilized milk shall not be re-pasteurized, or re-sterilized nor blended with non-pasteurized or non-sterilized milk.

CREAM

Definition.

Article 97.—Cream is that part of the milk which forms a layer on the surface of milk when left to settle or which is separated from milk through centrifugal force. It contains fat and a variable proportion of all the other constituents of milk.

Percentage
of milk fat.

Article 98.—Cream shall not contain less than ten per cent (10 per cent) of milk fat.

Labelling.

Article 99.—Each cream container shall bear an inscription showing, in visible type, the percentage of milk fat which the cream contains, as follows:

Ten per cent (10 per cent) cream, if it contains ten per cent (10 per cent) or more, but less than fifteen per cent (15 per cent).

Fifteen per cent (15 per cent) cream, if it contains fifteen per cent (15 per cent) or more, but less than twenty per cent (20 per cent).

Twenty per cent (20 per cent) cream, if it contains twenty per cent (20 per cent) or more, but less than twenty-five per cent (25 per cent).

Twenty-five per cent (25 per cent) cream, if it contains twenty-five per cent (25 per cent) or more, but less than thirty per cent (30 per cent).

Thirty per cent (30 per cent) cream, if it contains thirty per cent (30 per cent) or more.

Cooling.

Article 100.—Cream shall be cooled down to fifty (50) degrees Fahrenheit within three hours after skimming, and kept at or below that temperature until time of delivery.

BUTTER-MILK

Article 101.—Butter-milk is the product left after butter is Definition.
extracted from milk or from cream, through churning.

Article 102.—If butter-milk is intended to be sold for human Pasteuriza-
consumption, the milk which is to be churned into butter shall be tion.
pasteurized before being so churned.

Article 103.—Every butter-milk container shall bear a label Labelling.
with the words "Butter-milk."

SKIM-MILK

Article 104.—Skim-milk is milk from which cream has been Definition.
abstracted wholly or in part; it shall contain the solids of milk other
than fat in a proportion of nine (9) per cent.

Article 105.—Skim-milk intended to be used for human con- Pasteuriza-
sumption shall be pasteurized. tion.

Article 106.—Every receptacle containing skim-milk shall bear Labelling.
a label with the words "Skim-milk."

GOAT'S MILK, ETC.

Article 107.—The production, handling and sale of goat's milk, By-law to
ewe's milk and milk from any other animal shall be subject to the apply to
provisions of the present by-law. goat's milk,
etc.

Article 108.—Every bottle or other receptacle containing milk Labelling.
from any animal other than a cow shall bear an inscription showing,
in visible type, the kind of milk it contains.

ICE-CREAM

Article 109.—Ice-cream is the iced product made with cream Definition.
and sugar, or with milk, cream and sugar.

Article 110.—To ice-cream may be added colourings, flavours, Foreign
fruit, almonds, gelatine, tragacanth gum or any other edible sub- matter.
stance.

Article 111.—Colourings and flavours allowed in the manufacture Colourings
of ice cream shall be those approved of by the Federal law of and flavours.
Canada ("The Adulteration Act").

Article 112.—Gelatine, tragacanth gum or other substances Thickening
utilized to thicken ice-cream shall not be used in a proportion higher matter.
than two (2) per cent.

Article 113.—The proportion of milk fat in ice-cream shall not Milk fat.
be below seven per cent (7%). In no case shall it be below the
proportion prescribed by the Federal law of Canada.

Article 114.—Melted ice-cream shall not be returned to the Melted ice-
manufacturer, nor accepted by him unless the container has been cream not to
left unopened. be returned.

Containers.

Article 115.—Edible cones and other containers in which ice-cream is served to consumers shall be constantly protected from dust, flies and any contamination.

FERMENTED MILK

Definition.

Article 116.—Fermented Milk is milk which has been treated by the addition of a ferment.

Pasteurization.

Article 117.—Fermented milk shall be pasteurized previously to the addition of a ferment.

Labelling.

Every fermented milk container shall bear a label with the words "Fermented Milk."

WHEY

Definition.

Article 118.—Whey is the product which is left after the extraction of cream and casein from milk.

Whey intended to be used for human consumption shall be pasteurized.

Labelling.

Each whey container shall bear a label with the word "Whey."

DESICCATED WHEY

Definition.

Article 119.—Desiccated Whey is the dry product obtained through rapid evaporation of the water from whey.

CONDENSED MILK

Definition.

Article 120.—Condensed or Concentrated or Evaporated milk is milk the original volume of which has been reduced through the rapid evaporation of a part of its water.

Foreign matter.

Article 121.—Condensed milk may be sweetened with sugar, but shall not contain any other foreign matter.

Contents.

Article 122.—Condensed milk shall contain at least seven and two-tenths (7·2) per cent of milk fat and at least eighteen and eight-tenths (18·8) per cent of solids other than milk fat, exclusive of added sugar.

DESICCATED MILK

Definition.

Article 123.—Desiccated Milk or Milk Powder is the dry product obtained through the rapid evaporation of the water in milk.

Foreign matter.

Article 124.—Desiccated milk shall not contain any foreign matter whatsoever.

Solids of desiccated milk.

Article 125.—Desiccated, concentrated or evaporated milk shall contain at least ninety-five (95) per cent of the solids of milk.

Sale allowed in original container only.

Article 126.—The sale of condensed, concentrated or evaporated skim-milk and of desiccated or powdered skim-milk shall be allowed in the original container only; the words "Skim-milk" or "Separated Milk" followed by the words "Not to be given to young children without consulting a physician," shall be inscribed on each container.

ALIMENTARY CASEIN

Article 127.—Alimentary Casein is the dry product from coagulated milk. Definition.

Article 128.—The milk from which alimentary casein is extracted shall be pasteurized in accordance with the present by-law. Pasteurization.

Article 129.—The Health Department may forbid the use of acid or of an alkali in the manufacture of alimentary casein, or the addition thereto of any substance which it may deem noxious to public health. Foreign matter.

MATERNIZED MILK—HOMOGENIZED MILK—MODIFIED MILK—LACTATED FOODS

Article 130.—Maternized Milk is milk prepared in such a manner that its chemical composition resembles that of mother's milk. Definition.

Article 131.—Modified Milk is milk the chemical composition of which has been altered. Definition.

Article 132.—Homogenized Milk is milk in which the fat globules have been mechanically divided so that the fat may be uniformly distributed and may not again be separated. Definition.

Article 133.—Lactated Foods are products obtained by mixing milk, condensed milk, desiccated milk or alimentary casein with wheat flour or the flour of any other cereal. Definition.

Article 134.—Maternized, modified and homogenized milk, lactated foods and any other food intended for the nutrition of children shall not be prepared for the purpose of offering the same for sale, except with the authorization of the Health Department. Authorization to prepare maternized milk, etc., required.

OTHER MILK PRODUCTS

Article 135.—The Health Department may authorize the sale of milk products other than those mentioned in this by-law, provided that such products be subject to the provisions of said by-law. Sale of other milk products allowed, on certain conditions.

INDICATION OF THE PRODUCT

Article 136.—Every receptacle containing pasteurized milk, sterilized milk, special milk, cream, buttermilk, skimmed milk, fermented milk, homogenized milk, whey, maternized milk, modified milk, or other product or by-product of milk shall bear a label or an inscription showing, in visible type:— Inscription on containers.

- (a) The name of the product according to its definition, as given in the present by-law.
- (b) The name, forename (or firm-name) and address of the dealer.

Article 137.—Every receptacle containing condensed milk or cream, desiccated milk, desiccated whey, evaporated milk, alimentary casein, lactated food or other similar product shall bear a label showing, in legible type:— Labelling.

- (a) The month and year when each receptacle has been filled;
- (b) The name, forename (or firm-name) and address of the manufacturer.

CHAPTER IX

Definition.

ADULTERATED OR UNWHOLESOME MILK

Article 138.—Shall be considered as adulterated or unwholesome milk, any milk, its products and by-products:

- (a) Which do not conform to their definition as given in the present by-law;
- (b) Which do not conform or which are derived from milk which did not conform to the provisions of articles 85, 86 and 87 of this by-law;
- (c) Which are not produced, shipped, transported, stored, treated, prepared, sold, delivered or kept in accordance with the provisions of the present by-law.

Sale, etc., of adulterated or unwholesome milk prohibited.

Article 139.—It is forbidden to sell, transport, receive or keep in one's possession adulterated or unwholesome milk.

All milk found in any establishment or in the vehicle of any dealer shall be considered as being intended to be used for human consumption.

CHAPTER X

CONTAGIOUS DISEASES AND VACCINATION

Persons affected with contagious diseases or exposed to contagion.

Article 140.—No person affected with, or coming in contact with a person suffering from any contagious disease shall enter the establishment of a dealer, or milk any cows or other animals, or wash or transport any utensils, or deliver or sell milk or do anything whatsoever in connection with the milk trade.

Infected persons not to be admitted into an establishment, etc.

Article 141.—Dealers are forbidden to admit into their establishments any person suffering from any contagious disease, or who has come in contact with a person affected with such a disease or to allow such person to milk cows or other animals, to wash and transport utensils, to deliver or sell milk, or to do anything whatsoever in connection with the milk trade.

Notice to Health Department.

Article 142.—Any person suspecting that he or she is affected with a contagious disease, or that any member of his or her family is so affected, or that any person with whom he or she may have come in contact is so affected, shall immediately report the fact to the Health Department and refrain from milking cows or other animals, from washing or transporting utensils, from delivering or selling milk and generally from doing anything whatsoever in connection with the milk trade, until a permit to resume such operations has been granted to him or her by the Health Department.

Disinfection of receptacles.

Article 143.—Whenever a case of contagious disease exists in a house, the receptacles in which milk is delivered shall not be taken back by the dealer nor returned by the customer, until the latter has obtained from the Health Department a certificate to the effect that such receptacles have been disinfected.

Article 144.—Dealers and their employees must have been successfully vaccinated since less than seven (7) years. Vaccination.

Article 145.—Whenever any dealer ascertains or suspects that any of his animals suffer from a contagious disease, he shall immediately notify the Health Department of the fact and cease trading in milk, until he is authorized to resume such trade by a permit issued by the Health Department. Diseased animals.

CHAPTER XI

ENFORCEMENT OF BY-LAW

Article 146.—The Health Department is entrusted with the enforcement of the present by-law. By whom by-law to be enforced.

Article 147.—The officers of the Health Department shall carry about them a certificate signed by the Director of the Health Department or wear a badge, showing on what authority they are acting. They shall exhibit such certificate or badge whenever required to do so. Badge or certificate.

Article 148.—The officers of the Health Department are authorized to enter, at any time, the establishment of any dealer, to visit the premises and to remain therein as long as may be necessary to make a thorough inspection thereof. They are also authorized to board any railway car, boat or vehicle used for transporting or delivering milk. Inspection of establishments and vehicles.

Article 149.—The officers of the Health Department are further authorized to open and inspect, at any time and at any place, all cans or other milk containers (sealed or not), whether filled or empty, to examine the milk and to collect samples thereof. Inspection of containers.

Article 150.—When collecting a sample of milk for chemical analysis, the officers of the Health Department shall divide it into three parts, which shall be poured into three bottles, to each of which shall be affixed a label on which shall be inscribed a number and the words sample for chemical analysis, with mention of the date and hour when and of the exact place where the sample was collected, and which shall bear the signature of the officer. The latter shall seal the three bottles and deliver one to the dealer or his employee and take the other two to the Municipal Laboratory, where one shall be used for analysis and the other kept for controlling purposes, in case the dealer should enter a contestation. Collection of sample of milk.

Article 151.—The officers of the Health Department are authorized: Confiscation of containers and of milk in certain cases.

- (a) To confiscate and destroy or colour to make it unfit for human consumption, any milk which is adulterated or unwholesome, according to the definition given in the present by-law;
- (b) To retain, confiscate and destroy (or denature and return to the shipper) milk or cream which has been or is being produced, cooled, shipped, transported, stored, sold, offered for sale, delivered or kept under conditions contrary to law;

- (c) To affix on all cans or other milk containers retained or confiscated, or the contents of which have been retained, confiscated, destroyed or denatured, one or more labels showing the reason why the same have been so retained, confiscated, destroyed or denatured.

Interference with duties of officers of Health Department forbidden, etc.

Article 152.—Dealers and any other persons are forbidden:—

- (a) To interfere with the duties of the officers of the Health Department;
- (b) To maculate, soil, tear, destroy, or remove any label affixed on cans or other milk receptacles;
- (c) To displace, touch, remove, or take away any can or other milk container which has been or is being retained or confiscated, or the contents of which have been or are being retained, confiscated, destroyed or denatured.

The officers of the Health Department may arrest any person violating the provisions of the present article.

Order to cease shipping, etc., milk may be given in certain cases.

Article 153.—Whenever an officer of the Health Department ascertains that a dealer is infringing any of the articles of the present by-law, he may order said dealer, in writing, to cease shipping, transporting or receiving milk, or to refrain generally from doing anything whatsoever in connection with the milk trade, until authorized to resume such trade by a permit from the Health Department.

Sale of milk which does not conform to the provisions of the by-law, prohibited.

Article 154.—It is forbidden, under the penalty provided in article 162 of this by-law, to sell in the City any milk or cream unless it be special milk or cream, or pasteurized milk or cream, or sterilized milk or cream, such milk or cream to come from cows which have undergone the tuberculin test, in accordance with article 155 of the present by-law, and are perfectly healthy, and to meet the other requirements of said by-law.

CHAPTER XII

TUBERCULIN TEST

By whom and how tuberculin test to be made.

Article 155.—The tuberculin test of milch cows shall be made in accordance with the provisions of the federal "Animal Contagious Diseases Act" or of any other Act deemed equivalent by the Health Department, or by a duly licensed veterinary surgeon, appointed by the Provincial Government to have milch cows subjected to the tuberculin test.

When an animal undergoing the tuberculin test shows no sign of reaction, it shall be considered as non-tuberculous and classed as such during the twelve (12) months following said test. A new test shall be made periodically every twelve months.

If an animal reacts, it shall be classed as tuberculous and shall be branded with a permanent mark; it shall be immediately separated from the healthy herd and all the milk from said herd shall be pasteurized before being used or sold, as long as any animal having shown a reaction shall remain in the possession of the supplier. Milk from an animal which has reacted shall not be mixed with the milk from other animals, nor shall it be sold for consumption.

Every animal presenting a doubtful reaction shall be isolated at once and shall undergo a new test at the expiry of sixty (60) days from the date of the first test; during this period its milk shall not be sold for consumption, unless all the milk from the herd of which such animal forms part be pasteurized in accordance with the provisions of this by-law.

Every new animal introduced into a herd shall first be isolated and shall undergo the tuberculin test not later than five (5) days after its arrival. It shall be admitted into the common herd only after having been recognized as non-tuberculous.

The Health Department shall be notified immediately of the arrival of any new animal.

The owner of the cattle shall furnish the Health Department yearly with an official chart, showing that all the animals of his herd have undergone the tuberculin test and indicating the results of such test.

BACTERIOLOGICAL ANALYSIS

Article 156.—The qualitative and quantitative bacteriological analysis shall be made according to the Standard Method of the American Public Health Association. By whom and how made.

ACIDITY OF MILK

Article 157.—The examination of the milk for the research of acidity shall be made with a Dornic Acidimeter or its equivalent. Determination.

CLEANLINESS OF MILK

Article 158.—The examination of the milk for testing its cleanliness shall be made with an Omrsby Lacto-Sedimentator or its equivalent; the deposit upon the cotton pad shows the degree of dirtiness. Determination.

DAIRY SCORE CARDS

Article 159.—The degree of sanitation of an establishment and of the methods of handling milk shall be determined by means of two (2) dairy score cards, one of which, entitled Dealer's Dairy Score Card, shall be used for dealers, and the other, entitled Supplier's Dairy Score Card, shall be used for suppliers and for shippers. Both these score cards shall be as per the following forms:— How degree of sanitation of establishments and of methods of handling milk to be determined.

DEALER'S DAIRY SCORE CARD

HEALTH DEPARTMENT, MONTREAL—Food Inspection Division (Milk)

No.

Name.....
Parish or town.....Country.....
No.....Street.....
President.....
Manager.....
Number of waggons.....
Number of gallons sold daily.....
Milk.....Cream.....

Date.....19....	Max.	Allowed	Remarks
DAIRY—			
Situation.....	2		
Cement floor.....	2		
Drainage.....	3		
Tight walls and ceilings.....	2		
Lighting (glass area equal to 1-10 of the surface of the floor).....	2		
Ventilation.....	2		
Pure water supply.....	2		
Surface of the floor (2 ft. per gallon of milk received)....	3		
Separate room for each work.....	2		
Cleanliness.....	8		
Absence of flies.....	5		
Walls and ceilings painted in white every year.....	3		
Wash-stand, water and soap for attendants.....	4		
UTENSILS AND APPARATUS—			
Quality.....	15		
Cleanliness.....	10		
Cans: quality.....	5		
Washing and sterilization:			
(a) Cans.....	5		
(b) Bottles.....	5		
SUNDRIES—			
Storage of milk at less than 45° Fah.....	4		
Minimum of exposure of milk to air.....	4		
Exclusive mechanical capping of bottles.....	4		
Cleanliness of attendants.....	4		
Milk delivery:			
(a) In Ice.....	2		
(b) In clean and approved waggons.....	2		
Total.....	100		

Deducted for unsanitary or filthy conditions.....
Final score.....

Inspector

SUPPLIER'S DAIRY SCORE CARD

No.

HEALTH DEPARTMENT, MONTREAL—Food Inspection Division (Milk)

Name.....
 Parish..... County.....
 Milk (or cream) sold to.....
 Shipping station..... Receiving station..... Time.....
 Received in Montreal by.....
 No. of cows..... No. of milking cows..... Kind.....
 Gallons of milk produced daily.....

Date of inspection.....	Max.	Allowed	Remarks
Absence of disease on physical examination (2)..... Approved tuberculin test within the year (8).....	10	.....
Quality of food (5)..... Quality of water (5).....	10	.....
Cleanliness of cows.....	10	.....
Stable location (2), water tight floor, preferably concrete (3), tight ceiling and walls (2), tie and manger (1), facilities for isolation—special stables (2).....	10	.....
Stable ventilation (3). Air space for each cow: 400 c.f. (1), 500 c.f. (2), 600 c.f. (3)... Light: 4 sq. ft. of glass per cow (4). 3 " " " (3). 2 " " " (2). 1 " " " (1).	10	.....
Stable cleanliness: floor, ceiling, walls and manger (3), white- washed or painted and disinfected every year: walls (2), ceiling (3). No other animal (2).....	10	.....
Condition of barnyard: drainage (4), removal of manure every day to the field (6), or 50 ft. from the stable (3)...	10	.....
Milk-room: mode of construction, ceiling, walls, floor, win- dows and fly-screens (3), water supply (2) Cleanliness: floor, ceiling, walls, vat and water for cooling purposes (5).....	10	.....
Cleanliness at milking time (3), utensil adequacy (2), small top or hooded pails (2), thoroughly washed and exposed to pure air (3).....	10	.....
Ice supply (4).. Prompt and efficient cooling and storage at low temperature (6).....	10	.....
Total.....	100	.....
Deducted for unsanitary or filthy conditions.....	.....	.....
Final score.....	.....	Inspector.	

NOTE.—For any unsanitary condition, in each case, a deduction shall be made from the recorded points, according to the probable danger of infection, contamination or deterioration that may result from the continuance of such condition.

If filthy conditions are found to exist, the score shall not exceed 49. If the water supply is exposed to dangerous contamination or if an infectious disease exists in the family or among the staff or among the cattle of the producer, the product shall be excluded from the market until the cause of the danger is removed.

If the recorded score is 80 or above, the dairy is EXCELLENT.

If the recorded score is 70 or above, the dairy is GOOD.

If the recorded score is 60 or above, the dairy is FAIR.

If the recorded score is 50 or above, the dairy is PROBATIONARY.

If the recorded score is 49 or below, the dairy must be improved at once.

CHAPTER XIII

PENALTY

Dealers'
responsibility.

Article 160.—Dealers shall be responsible for any infraction of the present by-law committed by any person whomsoever in their establishment, or in the course of the operations connected with their trade.

Every offender
liable to
prosecution.

Article 161.—Any person infringing the present by-law may be held personally responsible for such infringement and shall be liable to prosecution, to the same extent as the dealer.

Penalty.

Article 162.—Every person offending against any of the provisions of the present by-law shall be liable to a fine with or without costs, and in default of immediate payment of said fine with or without costs, as the case may be, to an imprisonment, the amount of said fine and the term of imprisonment to be fixed by the Recorder's Court of the City of Montreal, at its discretion; but the said fine shall not be less than \$10 nor exceed \$100 for the first offence, nor less than \$100 nor exceed \$200 for the second offence, nor less than \$200 for the third and any subsequent infringement, and the term of imprisonment shall not be for a longer period than sixty days, the said imprisonment, however, to cease at any time before the expiration of the term fixed by the said Recorder's Court, upon payment of the said fine, or fine and costs, as the case may be; and if the infringement continues, the offender shall be liable to the fine and penalty above mentioned for each day during which the infringement is continued.

Certain provi-
sions repealed.

Article 163.—Sections 18, 19, 20, 21, 22 and 23 of By-law No. 105, adopted by the Council on the 21st December, 1876, are repealed.

French text
to prevail.

Article 164.—In case any clause of the English version of this by-law should not agree with the corresponding clause of the French version, the French text shall prevail.

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, MARCH 14, 1933

No. 5



Reference,—Milk and Milk Products

WITNESSES:

F. Cousins, Secretary, Ernest Cousins, Ltd., Montreal; F. Monette,
President and Manager, Perfection Dairy, Ltd., Montreal.

Appendix "B"—Documents filed and printed.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

TUESDAY, March 14, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Blair, Bouchard, Bowen, Brown, Carmichael, Donnelly, Fafard, Gobeil, Jones, Loucks, Lucas, McGillis, McKenzie, McPhee, Moore, Mullins, Perley, Pickel, Porteous, Rowe, Sauve, Senn, Shaver, Simpson, Sproule, Stirling, Taylor, Tummon, Wilson, Weir (*Macdonald*).

The subcommittee reported that Frank Cousins, Secretary, Ernest Cousins, Limited, Montreal, and F. Monette, President and Manager of Perfection Dairy, Limited, Montreal, were summoned to appear before the committee to-day.

Report received and adopted.

F. Cousins, called and sworn.

Witness filed the following documents, viz:—

1. Financial statement, 1931.
2. Trading and Profit account, 1932.
3. Statement showing spread between prices paid and prices received for milk for years, 1931 and 1932.
4. Statement showing disposition of profits, 1921 to 1930, inclusive.
5. Income-tax return, 1931.

Witness was examined by several members of the committee.

Witness was released and ordered to prepare certain additional required information to be presented by him at a subsequent meeting.

F. Monette, called and sworn.

Witness filed the following documents:—

1. Financial statements for the years 1931 and 1932 (in French) and agreed to file same in English.
2. Statement of costs and selling prices of milk.

Witness retired.

The meeting adjourned sine die.

A. A. FRASER,

Clerk of the Committee.



MINUTES OF EVIDENCE

HOUSE OF COMMONS,

March 14th, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 o'clock, a.m., Mr. Senn presiding.

The CHAIRMAN: Gentlemen, first of all I will ask for a report from the sub-committee on witnesses.

Mr. TUMMON: The only report that the sub-committee has to make is that we authorized the calling to-day as witnesses, Mr. Frank Cousins, manager of Ernest Cousins Limited, 175 Colburn Street, Montreal, and Mr. S. Monette, president of the Perfection Dairies Limited, of 2565 Herbert Street, Montreal.

FRANK COUSINS, called and sworn.

By the Chairman:

Q. Mr. Cousins, what is your position?—A. I am dairy manager for Ernest Cousins Limited, 175 Colburn Street, Montreal.

The CHAIRMAN: Now, I understand that the clerk has notified you as to the information which is desired. I might say that we follow a practice of allowing a witness to give his statement first without interruption from the members of the committee. Following that, of course, any member of the committee is at liberty to ask questions based on your statement.

The WITNESS: Unfortunately, I was unable to bring a certified copy of the auditors 1932 statement. That is not prepared as yet. I have a tentative statement which I will read. We made it up in a hurry. We got your letter on Saturday noon, and this is made up from Saturday to Monday. So far as I know, this 1932 statement is the whole truth. The auditor's statement is for 1931. I will read the whole thing first.

ERNEST COUSINS LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1931

Sales.....		\$	667,961 92
Purchases.....			361,327 18
		\$	306,634 74
Express on cream.....	\$	4,947 17	
Wages (average 70 employees).....		93,786 35	
Bottles.....	\$	16,924 52	
Cans.....		876 00	
Cases.....		4,369 00	
	\$	22,169 52	
Dairy expenses, comprising caps, cleaning materials, etc.....		9,370 08	
Delivery expenses (average 28 routes and 8 trucks)—			
Feed.....		6,325 78	
Gasoline and oil.....		3,753 64	
Repairs harness.....		1,165 63	
Shoeing, etc.....		2,222 25	
Wagons and sleighs.....		3,928 50	
		17,395 80	
Light, heat and power—			
Coal.....		3,712 54	
Light and power.....		5,240 27	
		8,952 81	

ERNEST COUSINS LIMITED—*Concluded*

Repairs and replacements—			
Repairs cans and cases.....	1,125 92		
Repairs machinery.....	5,267 80		
Repairs autos.....	4,203 39		
Loss on sale of equipment—			
Typewriters.....	65 75		
Machinery.....	14,661 92		
Wagons and sleighs.....	477 50		
Horses.....	401 00		
		26,203 28	
Depreciation—			
Machinery.....	\$ 13,990 94		
Delivery equipment.....	6,160 65		
Building.....	2,212 26		
		22,363 85	
			205,188 86
Gross profit.....			101,445 88
Discounts received.....			455 35
			\$ 101,901 23
Advertising.....	\$ 5,177 05		
Salaries (10 employees).....	24,102 08		
Taxes.....	7,935 66		
Insurance.....	4,481 37		
Stationery and supplies.....	1,755 34		
General expenses (fees bacteriologists, auditors, general repairs, paint, etc., lumber, stamps, laundry, telephone, ice).....	15,021 87		
			58,473 37
			\$ 43,427 86
Bad and doubtful debts.....	\$ 19,401 39		
Depreciation office furniture.....	466 06		
Interest.....	4,735 11		
			24,602 56
			\$ 18,825 30
Federal income taxes.....			2,309 53
			\$ 16,515 77
Net profit.....			

Our business is comprised 88 per cent wholesale and 12 per cent retail.

By the Chairman:

Q. You say that this is an auditor's statement?—A. This is an auditor's statement for 1931. I have the audit here if you require to see it certified.

Q. Will you file this. This is a certified copy. Is that the extent of your statement?—A. That is the extent of this statement. I have another statement for 1932 which is not audited. We made it up over Saturday and Sunday.

Q. I think, possibly, it would be better if you would also read the 1932 statement and then the committee can compare them?—A. This is not audited, although the accountant, Mr. Larocque, made this up himself.

ERNEST COUSINS LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31ST DECEMBER, 1932

Sales.....	\$ 689,650 40	
Purchases.....	360,868 90	
		\$ 328,781 50
Express on cream.....	\$ 1,953 48	
Wages (average 96 employees).....	118,518 09	
Bottles.....	\$ 14,567 37	
Cans.....	811 63	
Cases.....	2,169 07	
		17,548 07
Dairy expenses, comprising caps, cleaning materials, etc.....		10,646 50
Delivery expenses (average 36 routes and 11 trucks)—		
Feed.....	\$ 7,581 96	
Gasoline and oil.....	4,996 93	
Repairs and harness.....	1,003 93	
Wagons and sleighs.....	2,839 76	
Shoeing, etc.....	3,065 32	
		19,487 90

ERNEST COUSINS LIMITED—Concluded

Light, heat and power—					
Coal.....	\$	3,276	82		
Light and power.....		5,032	82		
				8,309	64
Repairs and replacements—					
Repairs cans and cases.....	\$	1,071	11		
Machinery repairs.....		5,919	50		
Auto repairs.....		5,407	33		
				12,397	94
Depreciation—					
Machinery.....	\$	15,494	66		
Delivery equipment.....		7,297	61		
Building.....		2,212	26		
				25,004	53
					213,866 15
Gross profit.....	\$			114,915	35
Discounts received.....					38 58
					\$ 114,953 93
Advertising.....	\$	9,102	23		
Salaries (13 employees).....		26,029	64		
Taxes.....		6,783	63		
Insurance.....		3,771	47		
Stationery and supplies.....		3,276	10		
General expenses (fees, general repairs, postage and excise stamps, cleaning, telephone, etc.).....		19,541	67		
					68,504 74
					\$ 46,449 19
Bad and doubtful debts.....	\$	22,322	75		
Depreciation office furniture.....		468	06		
Interest.....		3,694	16		
					26,449 19
Net profit.....	\$			19,964	22

This statement has not been audited.

I have another statement here showing the spread of 1931 and 1932.

1931

	Purchased	Cost	Sold for	Average	Spread
	gals.	\$. cts.	\$ cts.		per cent
Milk.....	1,532,670	233,868 39	446,140 00	.32	47
Cream.....	77,000	88,687 01	178,912 83		50.4
Butter, eggs, etc.....		38,771 78	42,909 09		
		361,327 18	667,961 92		45.9

1932

Milk.....	1,894,000	246,203 44	480,451 41	.26	50
Cream.....		70,910 00	162,420 00		57
Butter, eggs, etc.....		43,755 46	46,778 99		
		360,868 90	689,650 40		47.7

I have not got the number of gallons for 1932, neither have I got the actual pounds of butter or dozens of eggs.

Now, I have a statement here with regard to the disposition of profits by way of dividends. This is from 1921 to 1930 and represents the distribution of profits by way of dividends annually.

SELECT STANDING COMMITTEE

ERNEST COUSINS LIMITED

DISPOSITION OF PROFITS BY WAY OF DIVIDENDS

75 share- holders	1921 to 1930.....					Nil
	{	1931	April 15th.....	\$	2,678 89	
			July 15th.....		2,678 89	
			Oct. 15th.....		2,678 89	
						\$ 8,036 67
		1932	Jan. 15th.....	\$	2,678 89	
			April 15th.....		2,678 89	
						5,357 78
						\$ 13,394 45

(Witness files Income Tax, 1931, receipted.)

Q. Now, I think Mr. Tummon is ready to ask you some questions.

By Mr. Tummon:

Q. Mr. Cousins, you gave the amount of purchases in 1930. Now, we are principally interested in milk. What did you say the total purchases of milk was in 1932?—A. We bought 1,894,000 gallons of milk in 1932.

Q. I suppose that you are one of the distributors in Montreal who met the Montreal Producers' Association in regard to what price was to be paid to the producers?—A. Yes. We always sit in with that body.

Q. In arriving at the price, we had some evidence from Mr. Moore, the secretary of this association—in arriving at the price, between the producers and the distributors, now, can you explain to the committee just how you arrived at that price—whatever the price arrived at was? Was it a question of all going in together—the distributors—and there bartering with the producers on the price?—A. Well, sir, generally Mr. Moore called a meeting in the spring to set the summer price. I do not know whether you would call us an independent dairy or just what. We were going to these meetings, and the producers and the distributors get together and agree on a price for the milk which is to be sold the following season.

Q. Do the distributors meet in conference at all before they go to that meeting with the producers?—A. Not to my knowledge, sir.

Q. They go into that meeting and attempt to come to some arrangement together?—A. We are notified by Mr. Moore that there is a meeting on a certain date, and we got to the Board of Trade at Montreal and meet the producers there and discuss the price and agree on a price, and it is settled for the season.

Q. Now then, can you tell the committee what the price is that the distributors agreed to, that the producers would be paid during the several milk periods of 1932?—A. What the different prices would be paid in 1932?

Q. Yes, in the different milk periods; I presume there was probably a price last winter and another price during the summer, was there?—A. Let me see; last fall there was a meeting of the distributors and the producers. I would not like to take this—I don't quite remember just what happened back in 1932. I think there was a meeting.

Q. Well, as far as your memory goes?—A. Yes, I think there was a meeting. Last fall there was one meeting where the price remained at \$1.35.

Q. Yes?—A. And there was a second meeting where it was raised to \$1.60.

Q. Yes?—A. At the first meeting milk was still very plentiful and the supply was greater than the demand, and therefore they agreed not to put the price up. At the second meeting, when milk was kind of shortening up a bit, we agreed to put the price up to \$1.60, I think it was \$1.60.

Q. It is not that price now?—A. No, that went on November and December, that price went on for either December and January, or November and December, for a couple of months, I think there, and then it dropped to \$1.35 again.

Q. Can you furnish to the committee the prices agreed upon and paid during 1932?—A. I could not just now, sir.

Q. Will you do that?—A. I could, certainly.

Q. Now, with regard to the total amount of milk that you purchased in 1932, was that all paid for at the association price?—A. No, sir, there was a certain amount of that paid at surplus prices.

Q. A certain amount of milk paid for at surplus prices. Now, can you give the committee this morning what percentage of the total milk which you purchased or paid for at association prices, and what was paid for at surplus prices?—A. No, sir, I could not; I haven't got those figures available with me.

Q. Well, that is very necessary information.—A. Well sir, what was required, asked of me, right on this letter, which I received Saturday night, asked for none of that information; and believe me, it took us all our time to get our figures ready for last night at ten o'clock when the train left Montreal.

Q. Now then, I think Mr. Chairman, that that is a very important part, and it seems to me that not only should we have that statement supplied to the committee, but I think we should have Mr. Cousins here with that statement.

The CHAIRMAN: Oh yes.

By Mr. Tummon:

Q. Now then, you spoke of surplus, Mr. Cousins. Will you explain to the committee just what surplus means; what is meant by surplus milk.—A. It meant that there was in these times, 1931, 1932—it meant that there was a greater supply of milk on the market than there was a demand for. We had to get away from the original idea of surplus in back years when it came in the flush season, let us say commencing in March—March 15—March, April, May and June, that would be the surplus milk, when his cows were freshening, and there was a greater supply than in later years. In 1931-1932 it wasn't supply and demand—the supply was far greater than the demand in those years.

Q. Yes, well, am I right when I say that surplus milk is that milk that is received by you that is not required for bottling purposes?—A. Well, our position is a little bit different, sir, than the other dairymen; we are only twelve per cent retail. There is a lot of bulk milk in cans, but you mean for manufacturing purposes, for butter.

Q. Well, when you wholesale that sweet milk, how do you wholesale it, in bulk or in bottles?—A. A big percentage of it in cans, in bulk, and a certain percentage in bottles. The by-laws of the city of Montreal were changed, I think about two years ago; no milk was to go over restaurant counters in the glass, it all had to be served in half pint bottles.

Q. Nevertheless, the fact remains that there are two classes of sweet milk, aren't there, if I may put it that way, whether you wholesale it in bulk, or whether you wholesale it in bottles. Now, what I am trying to get at is this, how do you distinguish to the producer between what you pay him for association prices, and what you pay him for surplus.—A. How do you distinguish between these two classes of milk?

Q. Yes, supposing I am a shipper, a producer, and I send you in during the month 200 cans of milk, and you pay me a certain amount association price, and the balance you pay me for surplus. Now, how do you distinguish?—A. It is generally taken at the February average, sir. We don't run that in the winter months, generally, I say; up to 1930, 1931, 1932, as I was saying, there was a greater supply than we could handle, and it would have to be taken on how much we separated, or handled in a surplus manner.

Q. Yes, but we want to know now how you distinguish what is paid for at association price. Can you tell us first how much of the total amount of milk you receive is paid for at association prices, and how you arrive at that quantity?—A. Well—

Q. Mr. Cousins, these are your statements are they not?—A. Yes, sir.

Q. Now, we look at this statement, the first one is the month of March, isn't it?—A. The month of March, yes.

Q. 1931?—A. Yes.

Q. How much of that is paid for at association prices—how much of that quantity the producers shipped in?—A. There is a total of 6,760 pounds the producer sent to the dairy; 3,380 of that was paid at association prices, and 3,380 pounds was paid at surplus prices.

Q. So your surplus in that month was almost exactly the same as the association price?—A. Yes.

Q. The quantity was approximately fifty fifty?—A. Yes.

Q. Well, will you take the next month?—A. The amount was 10,020; 4,510 paid at association prices, 5,510 at surplus.

Q. Then, there was a greater amount paid at surplus price in that month than there was in the previous month?—A. Yes, sir.

Q. Now, will you go right down the list there and just read them off to the committee?—A. May, 14,805 pounds, 6,700 was paid at association prices and 8,105 surplus; June 14,095, 6,345 were paid at association prices and 7,750 at surplus; July 12,500 pounds, 6,250 at association and 6,250 surplus; August 11,540 pounds, 5,570 association and 5,570 surplus; September 10,695 pounds, 5,348 at association and 5,347 at surplus; October 9,970 pounds, 4,985 at association and 4,985 surplus. And when you ask me how the surplus was governed, sir, that all depends on competition. We had to meet the price and sell our milk to meet the competition put up, and we had to buy our milk accordingly.

Q. Now, in dealing with your producers, in arranging with your producers, do you allow them to hold back any of their production?—A. Well, I would not like to say as to that, I do not know if the question has come up. Really, that comes through a department of the dairy that I am not always in touch with; these cases are not always brought to my attention. If somebody writes in and asks—

Q. Then you can't say as to whether or not the farmer is required to send the production of all his cows. Does your company not request, or demand that the producer must ship in all his milk?—A. No, sir, there is no check-up taken on the farmer. We have no requirements that we do not know at the end of the month, no check-up is made; when the producer sends us his milk that is enough check-up.

Q. Well, the reason I ask you that question Mr. Cousins, is simply this; that I am told by producers who are serving your company that they are required to send all the production of their cows to your company, and they are not allowed to go anywhere else?—A. Well, I'd like someone to come forward and show me.

Q. That is the reason I ask you that question?—A. As far as I know we never check up at the end of the month to see that a man sends all his milk, there is no accurate check on that.

Q. Well, let me ask this question then. If I were a producer sending milk to your company and this month I was paid for half of what I sent at association prices and half at surplus, if I started to hold back and sent only about half of what I sent in the month before, would you try to find out what was wrong?—A. No, we would not bother.

Q. You would not. Now, then, in regard to that surplus milk in the statement that you have read there, over fifty per cent of that amount of milk was paid for at surplus wasn't it?—A. Yes, sir, at times it was.

Q. Now, then, how do you pay for that surplus milk?—A. We pay for it on a sweet cream basis.

Q. On a sweet cream basis?—A. Yes, sir.

Q. Can you tell the committee what you paid in August last year, 1932?—A. 1932?

Q. Yes?—A. That is the 1931 statement you have with you—the farmers—producers' accounts.

Q. Yes, I see this is 1931?—A. I can't give you the figures for 1932, sir. I haven't got them with me.

Q. You paid for that on a sweet cream basis?—A. Yes, sir.

Q. So much per pound butter fat. You can't give the committee what you paid in any one month last year for that surplus?—A. Well, I would not like to say, it would be around—it just depends on how butter was going, that was all taken on butter plus the market for sweet cream; I would say around 25 or 28 cents a pound.

Q. Then, let me get this clear. Now isn't there a difference between butter cream or sweet cream?—A. Oh, yes sir, that is what I say; the butter market price plus a certain amount for sweet cream.

Q. I have information, Mr. Cousins, that last August you paid 23 cents a pound butter fat?—A. Twenty-three cents a pound last August? Do you know what butter was worth last August, sir; have you any idea? It would run on the basis of the price of butter.

Q. I know that our local creamery up in my district paid 16·4 for churning cream?—A. Sixteen?

Q. Yes?—A. That would be 7 cents, 16 cents and 7 cents for sweet cream—23 cents.

Q. Yes, well, all right. Now then, with a hundred pounds of 3·5 milk paid for at 23 cents on butter fat, that would be how much a hundred pounds—practically 80 cents, would it not?—A. Yes.

Q. Now then, 100 pounds of 3·5 milk at approximately 16·4, take 16 cents a pound?—A. The 100 pounds.

Q. The 100 pounds of 3·5 milk at 16 cents?—A. Fifty-six cents.

Q. Fifty-six cents. Now, then, the cream that went to the little factory creamery in my town was picked up at the man's door. This other man had to pay 25 cents a hundred pounds on his milk to get his cream into his factory. Take the 25 cents from your 80 cents?—A. Yes, I can see what you are driving at.

Q. That brings your price down to 55 cents?—A. Brings it down in price.

Q. And the farmer at my little home town creamery has his skim milk at home which is worth something. That man has a better price, he receives approximately 6 cents a hundred more for his milk than was given by you to him.

I feel, Mr. Chairman, that we can't get much further along this line unless we have the total percentage of milk that was paid for at association prices in 1932, and in January and what was paid for it in February. We want to know more about that surplus milk, Mr. Cousins. We want to know how it was used, the percentage that was used in sweet cream, in butter or in ice cream, or any part of it; and what you paid for it, and until we get that information I cannot go much further

By the Chairman:

Q. There is one further question I would like to ask. When you make your distribution between surplus and whole milk prices, do you treat all your producers exactly alike?—A. Yes, sir, and as I say, it all depends on the selling price in the city.

By Mr. Bertrand:

Q. Mr. Cousins, you made the declaration a moment ago stating, in the fixing of prices for surplus milk, "of course, competition controls the price of surplus milk." Does that mean that you have to so classify such an amount called surplus milk as to afford you a profit if you desire to meet competition on all of the other lines?—A. Well, I hesitate—

Q. I will put it this way, then, what do you mean by "of course, competition controls the price of milk?"—A. Well, competition controls the price of surplus milk.

Q. What do you mean?—A. It means that the selling price—it means in the wholesale business, just speaking for myself, of course, everybody is running around picking up quantity sales and dropping the price, and we have to meet that competition; therefore, it controls the price of surplus milk.

Q. Are you aware that the farmer is producing and selling his goods below cost to himself?—A. I should imagine he is at the prices.

Q. And for that reason, I suppose, it is due to the sympathy that you have for the producer that you are ready to classify a certain amount, irrespective of the fact that it may be an injustice, as surplus milk in order to afford you a profit?—A. Well, I would not—I do not think—you see our profits here are not excessive. I really do not see why you take that attitude to them.

Q. Well, I think if Mr. Cousins is kind enough to bring all the material, I think we won't have to accept answers like that if we take this attitude. I think we will prove that it is the right attitude. Now, about this statement, when Mr. Cousins comes back, I would like to ask his firm to make a prepared statement on how much milk has been received by their company in the month of February—that is not long gone—for the whole month of February, 1933, the whole amount of the purchases in their factory during that period, the amount that was paid to the farmer at the association price, the amount that was paid as surplus milk, and then how it was divided for resale, either retail or wholesale, in fluid milk or other classes of milk, what part was put in ice cream, if any. You will have that for the government I presume?—A. Yes.

Q. Now, further, the amount that was manufactured in butter, the powdered milk that was manufactured, or other by-products sold to make such powdered milk or other by-products?—A. The powdered milk manufactured?

Q. Manufactured, or milk sold to make powdered milk, as by-products; and the price of each and every item, either cost or sale. Now, before you leave, may I ask you if your company is affiliated with any other company?—A. No, sir.

Q. Is it a subsidiary of any other company?—A. No, sir.

Q. It is independent, by itself. We would ask you when you come back, also to be kind enough to supply us with how your company was organized—the amount of capital invested in it.

By the Chairman:

Q. You may be able to give that information now, Mr. Cousins?—A. I was just thinking—

By Mr. Bertrand:

Q. Are you able to supply that information now?—A. I could give you the amount of capital.

Q. In what year was the company established?—A. I could not tell you exactly the year it was established as a limited company. It was established as a limited company, I think, in 1914 or 1915, I am not sure of the year; and then it was reorganized in 1926.

Q. It is in this reorganization that we are interested, we want to know what the company is?—A. I did not come here prepared to answer all these questions you are asking to-day.

Q. Very well, we would just ask you to prepare the information, or, if you like, just find out then what was the amount of capital invested in your first limited company, the amount of shares either preferential or common?—A. The amount of shares?

Q. Preferential and common. Have you given out any bond issue?—A. No bonds.

Q. Has there been any further amount of money reinvested at any later date. When the reorganization took place how were these shares divided, on what basis, and for what reason?—A. When reorganization took place?

The CHAIRMAN: You might shorten that up, Mr. Bertrand, by asking him to give you the history of the capital structure of the organization, which would include possibly the whole question.

MR. BERTRAND: Thank you very much, Mr. Chairman, that will cover the whole thing without our having to ask further questions.

By Mr. Pickel:

Q. Is your stock boarded on the exchange at all?—A. No, sir.

Q. What is its capital?—A. The capital is \$153,100 preferred.

Q. Has that capital been raised in the last ten years?—A. No, it has not all been raised. It has issued—there were authorized 14,124 shares, 7 per cent cumulative redeemable shares of \$25 each, then 10,000 shares no par value of which 6,124 were issued, making the capital \$153,100.

Q. You will give us all that in your report?—A. Yes.

Q. What does your board consist of?—A. Mr. Ernest Cousins, Mr. Reynolds of the Producers', Mr. Cordner, of the city of Montreal.

Q. You have a president?—A. Mr. Ernest Cousins.

Q. And a vice-president?—A. Mr. Cordner.

Q. What is the president's salary?—A. Ten thousand dollars.

Q. Anything of perquisites?—A. Nothing besides that.

Q. That cleans up everything?—A. Everything.

Q. Does the vice-president get a salary?—A. No, sir.

Q. Do any of the directors?—A. No, sir.

Q. You are the secretary-treasurer?—A. Yes, sir.

Q. What is your salary?—A. Five thousand dollars.

Q. Anything extra?—A. No, sir.

Q. How often do your directors meet?—A. Once every three months.

Q. What about dividends?—A. Dividends. There has been a total of \$17,794.45 paid in 1931 and 1932.

Q. Now, Mr. Cousins, in receiving your milk you are paying an average price of \$1.35?—A. Yes.

Q. That nets the producer \$1.10 at your plant?—A. Yes.

Q. Then, 50 per cent or over that is surplus for which he gets about 55 cents or, maybe an average of between 70 and 80 cents, not over 80?—A. Well, here are the figures right here.

Q. I understand, give us that average, can you?—A. Well, I haven't worked that out.

Q. Well, that will be somewhere around 75 cents?—A. Over the whole year.

Q. Roughly speaking?—A. Over the whole year.

Q. That is providing your surplus each year which is about 50 per cent or over. That would strike his average price about 75 cents a hundred?—A. The 1932 prices were higher.

Q. Yes, \$1.60 for a little while—a very short time.—A. For the present, 3½ cents a quart to the farmer.

Q. How much are you paying to the farmer for milk?—A. Three and one-half cents a quart.

Q. Excuse me. Is 75 cents a hundred 3½?—A. I was dropping the freight.

Q. I want to know if 75 cents a hundred is 3½ cents a quart?—A. We are paying the producer \$1.10 to-day.

Q. You are paying the producer \$1.10?—A. Yes.

Q. What about the surplus? You are not paying \$1.10 for that—55 cents?—A. At the present day, there is no surplus of milk. In 1932 there was no surplus. In October, November or December, I do not think.

Q. The figures you gave us averaged about 50 per cent—over 50?—A. That was back in 1931. We have been reading that, sir.

Q. When you come back again bring us 1932 right up to date—the whole thing, surplus and all?—A. Yes; the average for the whole thing.

Q. Of course, that suggests $3\frac{1}{2}$ cents received, but he is receiving under 2 cents a quart?—A. Well, sir, I cannot reply to that question until I have the proper figures.

Q. Figure it out. Do you sell buttermilk?—A. Yes.

Q. Where do you get it?—A. We buy it ready made. Our sale of that is so little that we buy it from Champlain.

Q. Do you do any churning at your plant?—A. No, sir.

Q. What do you pay for buttermilk?—A. We pay as high as 20 cents a gallon.

Q. How much?—A. Eighteen to twenty cents a gallon. This is culture buttermilk, not buttermilk off the churn.

Q. I mean buttermilk from the churn—common buttermilk?—A. We do not handle any of that; this is culture buttermilk.

Q. You do no churning at all?—A. No, sir.

Q. What do you do with this surplus milk?—A. We sell it.

Q. How? In what form?—A. We sell it as fluid milk.

Q. How much do you get for it?—A. Well, in 1931 we got an average of 8 cents a quart for it.

Q. Why do you call it surplus?—A. Well, it is sold at the wholesale price.

Q. You sell it all at the wholesale price?—A. We sell about 12 per cent retail.

Q. How do you distinguish between your fluid milk as you distribute it about the city by the bottle and your surplus milk? What do you call surplus, and what do you call the other kind?—A. Well, sir, as I said before, it all depends on the competition. We have to meet competition.

Q. That surplus milk covers up competition. That is all it is for. You jot that down just as you please—surplus, whether you have surplus or not?—A. It depends upon supply and demand also.

Q. Oh, yes. It is not surplus at all really. Do you really have any surplus milk at all—that is, what should be understood by surplus milk—more than you require for distribution?—A. Whenever we have too much milk we separate it.

Q. What do you do with it? Do you just use it for sweet cream?—A. Use it for sweet cream and put the skim milk down the drain and try to sell it to some of those manufacturing places that make cement. There is one place in the city that will buy it.

Q. What do you sell your buttermilk for?—A. The price? Eight cents a quart.

Q. The same as you sell the milk for?—A. Yes.

Q. The same price as the milk. This is the culture buttermilk. Have you a pasteurizing plant?—A. Yes, sir.

Q. What is the cost of pasteurizing?—A. I have not got those figures, sir. We do not keep such fine figures.

Q. Your pasteurization. Bring them in the statement when you come again?—A. Well, sir, I would have to have a staff of cost accountants for the price of pasteurizing a gallon of milk or a pound of milk.

Q. In your evidence, you spoke of cans. Do you furnish cans to the producers?—A. No, sir.

Q. I see a pretty big item for cans. What is that for? Is that cans for your distribution?—A. Cans renewed and replacements for our own trade.

Q. For your own use and distribution?—A. Yes, distribution.

Q. You mentioned quite a little sum for bacteriology. Do you keep a bacteriologist in connection with your plant?—A. That does not cover a bacteriologist; that covers all the items.

Q. Why do you put down an item for bacteriology at all?—A. Well, we have two firms that look at the bacteriological end of it.

Q. Does not the city of Montreal look after that?—A. Yes; but we have J. T. Donald and Milton Hersey of the city of Montreal who come in weekly and take samples for bacteriology.

Q. Do you distribute these certificates of milk?—A. No, sir.

By Mr. Gobeil:

Q. Can you give to the committee an estimate cost of the total machinery in your plant? I mean the actual cost of the machinery in your plant?—A. Yes. I have machinery and equipment. These figures would not be quite correct because they have been depreciated on.

Q. I mean the first cost—when they were bought?—A. No, sir. I could not give you the first cost.

Q. You have no estimate you could give?—A. I could bring that.

Q. Of course, it is hard to remember all these figures; but if my memory is correct, I think Mr. Cousins mentioned \$16,000 in round figures as the cost of bottles in 1931 and \$14,000 in 1932. Am I mistaken in those figures?—A. 1931 the cost of bottles was \$16,924.52.

Q. And 1932?—A. 1932, \$14,567.37.

Q. Has the quantity been increased between these statements?—A. Well, we handled a certain amount of extra business in 1931—that is, we handled some of the relief business, the emergency unemployed relief—and we had to buy a lot more bottles in 1931 to start that business.

Q. Those figures, if I understand you correctly, would be higher in those three years than in previous years?—A. Well, it generally runs around \$14,000—\$12,000 to \$14,000.

Q. That accounts for breakage?—A. Breakage and lost bottles.

Q. Can you give us the price of those bottles per unit or per hundred or per thousand?—A. I will obtain those figures for you. Offhand, a quart costs 6½ cents, a pint costs just under 5 cents and a half-pint is four something. I will get the exact figures.

By Mr. Pickel:

Q. What do you call the other milk that is not surplus? There is no distinguishing difference at all. It is a distinction without a difference. Or it is just done for dividend purposes?—A. Dividend purposes? We are not able to pay any dividends if it comes to that.

Q. Do you distribute to the chain stores at all?—A. No, sir.

By Mr. Brown:

Q. What percentage of depreciation do you allow on machinery?—A. Fifteen per cent. On waggons 10 per cent. On automobiles 25 per cent. On horses 20 per cent.

Q. And on what value do you base that? You said you could not give the cost of the plant.

By Mr. Gobeil:

Q. If my memory is correct you gave us \$14,000, as the depreciation on machinery?—A. Yes \$13,990.

Q. It would be easy to find the cost.

By Mr. Brown:

Q. You mentioned also the cost of bottles. That has already been referred to. Later you mentioned, I think, if I remember correctly, the estimate on delivery equipment?—A. Yes.

Q. Does that include bottles again?—A. No, sir; waggon, automobiles and horses—rolling stock.

Q. There is no over-lapping, or is there, between depreciation and replacement?—A. No, sir. These figures have all been taken apart by the Federal Income Tax people.

Q. When you allow so much annually for bottles that is replacement; you do not take in depreciation of that also?—A. There is no over-lapping of figures there. The Income Tax people keep their eyes on that.

Q. Of course, we will have to examine the figures a little more carefully before we can discuss them intelligently.

By the Chairman:

Q. Just a moment. I want to get straight this matter about depreciation. You deduct some \$25,000 from your income for depreciation. Where does that \$25,000 go? Is it in the rest fund, or what becomes of it?—A. Well, this amount has to be set up for replacement of machinery and rolling stock?

Q. It must be in some kind of a rest fund or reserve fund?—A. Yes, sir, for replacement of equipment.

Q. You have a reserve fund, have you?—A. Depreciation is the only reserve fund we have.

By Mr. Mullins:

Q. Do you deliver buttermilk?—A. Yes, sir.

Q. You say it is not buttermilk, it is culture buttermilk?—A. Culture buttermilk is fermented milk, about 1 per cent of fat.

Q. May I ask you what you put in this culture; what sort of an ingredient is put in it before it goes to the consumer?—A. It is inoculated with bugs of some description.

Q. Inoculated with what?—A. Inoculated with bugs, inoculated with bacteria—

Q. Bacteria. I want to know what this buttermilk I have been drinking is. I have had a severe attack of diarrhoea and I want to know if it is the buttermilk. If you are delivering buttermilk that is not buttermilk, let the committee know it so we will know what we are buying and keep away from it. But you keep a bacteriologist?—A. We do not keep a regular bacteriologist. We have a man who has been through the Ste. Hyacinthe Dairy College, and he looks after our milk so far as butter fat and sediment are concerned, and we test it by the Blue Methylene test, but any flat amounts are taken by Mr. Donald and Milton Hersey.

Q. After you take the supposedly pure milk from the cow what process do you put it through?—A. We test it for sediment, for butter fat; we test it for the specific gravity, and the Blue Methylene test for bacteria. That is a reduction test. There is a blue dye added to so many cubic centimetres in this milk, and it reduces in so many hours. The bacteria turns it from blue to white.

Q. Does all the milk go into one vat?—A. Through several vats.

Q. It goes into a large vat?—A. Yes, sir.

Q. Then you pasteurize it?—A. Yes.

Q. Is it as good milk as when it comes from the cow?—A. I do not know whether—it is heated to a temperature of 145.

Q. Mr. Chairman, I have a letter here that probably might contain information for the witness, but I do not know whether you will permit me to read it. It is addressed to the Agricultural committee. I have permitted you, Mr. Chairman, to read it. It is not addressed to me, but it is addressed to my care.

The CHAIRMAN: I would suggest that it be placed with the clerk, and we could discuss this when Mr. Cousins comes back again. It is a rather lengthy letter and would take quite a little of the time of the committee.

Mr. MULLINS: Yes, it is a lengthy letter, but it is addressed to the agriculture committee, and it deals largely with pasteurization.

The CHAIRMAN: I am getting scores of letters every day addressed to the agriculture committee that I do not read to the committee.

By Mr. Mullins:

Q. Are you interfered with in the delivering of milk on the highways? In the delivering of your milk does anyone interfere with you?—A. Anyone interfering?

Q. Yes?—A. No, sir.

Q. Now, as to what you charge; are you in a combine of any kind?—A. No, sir.

Q. And you are not interfered with on the road?—A. No, sir.

Q. That is, the trucks are not interfered with. There is one part of this letter here that is most appalling. I do not know anything about the writer, but he seems to be a responsible gentleman. He comes from Perth. That is true in regard to this man. I think this committee ought to know it, in the interest of the consumer as well as in the interest of the producer. It is an important letter in my opinion. I have read it over three or four times, and I think I have permitted the Chairman to read it. The milk, when it is pasteurized loses a certain amount of its strength. Would not you prefer using the milk direct from the cow and certify by a dairy that it is clean and the cows of which are clean; would it not be better?—A. I do not know. For us it is practically impossible to have all the milk that comes into these large cities in such a condition as to be sold as certified milk and we have to take the method of pasteurization to make sure that this milk is safe for the public. I do not know whether it hurts the milk to pasteurize it or not. I do not think so. I have no authority on that point.

By Mr. Wilson:

Q. You have been asked to bring the cost of the plant—the original cost. Then, will you bring down how many times the amount has been written down each year from the inception of the company?—A. The amount of depreciation that has been put on the plant?

Q. Yes; and also give us the value of the number of horses you have. What they cost, and how much you have written down. Surely, more of these horses should be written off by this statement?—A. There is a continual replacement of these animals. Working six and a half days a week in all kinds of weather a horse cannot last long.

Q. You will be in a position to answer any questions on that report in regard to depreciation of machinery etc., when you come back?—A. Yes.

By Mr. Pickel:

Q. Are there any regulations regarding the delivery of milk? There is no provision provided for against overlapping?—A. Delivery? No sir. There is no provision.

Q. There is no standardization as regards delivery?—A. No, sir.

Q. Now, you say that 88 per cent of your milk is sold wholesale and 12 per cent retail?—A. Yes, sir.

Q. What is the price of that wholesale milk?—A. The price of the wholesale milk?

Q. Yes?—A. I only have the average selling price.

Q. What is that?—A. Eight cents. That takes in 12 per cent retail.

Q. Now, I want to make this distinction. I want the committee to understand what you are receiving for milk and what the producer is getting. The producer, as I understand it, is getting between one and three-quarters cents and 2 cents a quart now and your are getting 8 cents?—A. Here are the exact figures for 1931 and 1932. We purchased 1,532,670 gallons of milk at a cost of \$233,868.39.

Q. How much a hundred?—A. Well, we will figure that out. If you take these figures down you can figure that. There is a spread of 47 per cent for 1931 and a spread of 50 per cent in 1932.

Q. That is, you got 50 per cent?—A. The difference between the buying and selling was 50 per cent in 1932 and 47 per cent in 1931.

By the Chairman:

Q. That is, laid down in Montreal?—A. Yes, laid down in Montreal.

Mr. WILSON: Will you also bring the cost of replacement of plant, and what you did with the machinery that was replaced, and what you got for it?

By Mr. Pickel:

Q. Just one more question. Do you buy on a butter fat basis?—A. A 3·5 basis.

Q. Do you pay a premium?—A. No, sir.

Q. But you deduct if it is good?—A. Yes.

Q. If it is 4·2, that is all to the good; that is all velvet?—A. The public get the benefit.

Q. Do you distribute milk over 3·5?—A. Yes, absolutely. We distribute it as we get it.

By Mr. Porteous:

Q. To get back to the question of surplus milk. From a price standpoint, there are two classes of milk, one paid for at association price and the other at surplus price. It is hard to identify the milk; but could you tell us how you base the amount of surplus milk; how you arrive at the percentage that you pay for surplus milk? Has it any relation to the amount of milk sold for consumption purposes?—A. I will be glad to bring all this information with me. I am not in a position—

Q. If you could give the committee whether or not there is any of this surplus milk going into consumptive channels, that is what we want to know. It is possible that there may be milk paid for at surplus price that is sold to the consumer. I think the committee should have that information?—A. Yes, sir.

Q. There is another question, and that is with regard to dividends. You have quoted the amount of dividends. Did you quote any percentage on dividends, or have you the percentage there?—A. What do you mean?

Q. The percentage you pay on your shares?—A. Seven per cent.

By Mr. Loucks:

Q. I understand that the cost of fodder was \$1,000.—A. In 1932? \$7,581.96 in 1932.

Q. How many horses have you?—A. Between 45 and 50, sir.

Q. Can you tell me approximately what you pay a ton for hay?—A. For hay? I figure around seven and a half or eight dollars a ton.

Q. And grain?—A. Grain was around one dollar a bag, and there would be eighty pounds to the bag. It has been going for about 10 cents—

By Mr. Sproule:

Q. Now, when you gather this milk up do you give a report each day to the man from whom you get the milk? Is it weighed at his place, or where is it weighed?—A. At our plant.

Q. He does not know at the end of the month how much he sends in, or does he get a report?—A. At the end of the month he gets a report back.

Q. Now, with regard to this surplus milk, I think Mr. Pickel made that clear to the committee. Your surplus milk and what you sell—it is all sold; do I understand that right? You sell your milk to the consumers and the surplus milk goes back and you sell it for 8 cents?—A. That is the average selling for 1931 was 32 cents. That takes in 12 per cent of our retail business and 88 per cent of the wholesale business.

Q. You send that milk out. You have your customers to send it out to. According to the return you have there there was about 50 per cent of surplus milk—I think that is as Mr. Pickel has figured that out—and you sold that at 8 cents anyway. Then, you churn some of that milk and put some of it into different things?—A. Sweet cream.

Q. Say, for instance, that the milk comes in to-day. For how long do you hold that before you really put that into the churn, or do something else with it—is it at the end of 24 hours or when?—A. It comes in to-day and a lot of it is used to-day. The balance is held over until to-morrow. It depends on the stocks at hand at night, how much we can carry.

Q. You do not check it up in so many hours, at a certain time—how do you check up on that? How do you get at the amount you put through that process?—A. The amount we sell, our daily sales.

Q. You have what you sell. This surplus milk, according to your figures, is all sold at the same price. This amount at your price would be what you put in after taking the butter fat out?—A. The amount that we take the butter fat—?

Q. I am trying to make it clear. It will be in good nature when we get through. I want to get this clear for myself. You get your milk in and you have your customers. According to the figures you have there, you have about 50 per cent of surplus milk. Then, you tell us that the surplus milk is sold at 8 cents. And later on, after you sell what surplus milk you can, if I understand it right, then you take the butter fat out of that and you sell that at whatever you can. Now, you arrive at that—we will say 10 per cent or 15 per cent or 20 per cent or whatever it is there—at the end of 24 hours or at the end of the day. At what time?—A. The surplus is taken at the end of the month. It depends on the amount we sell, and the amount that has been sold as sweet cream.

Q. You have it and check it every two days or daily?—A. Every evening we see what amount there is on hand.

Q. Every evening? That amount at the end of every evening is just exactly what you sell at a discount; it does not realize the price of the other, because you have told us that you sell the other at 8 cents. It is generally understood that for the surplus you have to take a different price, because surplus milk is about 55 cents. Is that correct?—A. I have a lot of questions on that right here that I am going to answer.

Mr. PORTEOUS: I think, on the questions I asked to which the witness agreed to bring returns his answer will cover the question asked by Mr. Sproule.

Mr. TUMMON: When I sat down, Mr. Chairman, he told me all the information would be brought here.

The WITNESS: I think the questions you asked will cover the whole thing.

By Mr. Pickel:

Q. Do you manufacture ice cream?—A. No, sir.

By the Chairman:

Q. I would like to insert one question. It is distinctly understood, Mr. Cousins, that you are going to inform the committee how you arrive at the proportion of surplus milk which you have to settle for, and as well how that surplus milk is disposed of. It is information in that respect that you are going to give?—A. Yes, I will cover that.

Q. I would like to ask another question bearing on that. Do you get enough sweet cream from your surplus milk to meet your demands?—A. No, sir, we have to buy some sweet cream.

Q. Where do you buy it?—A. Buy it at different factories.

Q. Do you buy it from the farmer?—A. No, we buy it direct from the factories.

Q. Where are those factories situated, in the country?—A. Yes, one at Champlain, and at different parts of the country.

Q. Do you pay butter fat prices for it?—A. We pay the sweet cream price, sir.

Q. Is that an advance?—A. There is an advance on the butter price, on the sweet butter price.

Q. Does that price do anything towards determining the price that you pay for surplus milk. Does it help you to determine the price you pay for surplus milk?—A. Oh, yes.

Q. The price at which you are buying sweet cream in the country?—A. Yes, sir. Then it has to be pasteurized, we have to allow for pasteurization and separating.

Q. There is another question I am not satisfied about. When this milk comes to your factory, the whole milk, is it all pasteurized?—A. It is, except that we have to separate, then the cream is pasteurized, not the skim milk.

Q. In other words, you only pasteurize a certain percentage of it that you think you will have to dispose of as fluid milk?—A. Yes.

Q. And the rest?—A. The rest we separate and pasteurize the cream. We do not pasteurize the skim milk because we have no market for the skim milk.

Q. You said, as well, that the distributors do not meet, have no consultation, before meeting the Producers' association to set the price?—A. No, sir, the distributors—I have not been in any consultation with the distributors before meeting the producers in the city of Montreal.

Q. Can you tell me then, what is the basis you arrive at this price on. On what basis do you arrive at the price that you pay the producer for fluid milk. Is it based on the cost of production?—A. No, sir.

Q. Is it based on supply and demand?—A. Supply and demand more or less, yes, sir.

Q. Well, how is that determined?—A. I suppose there is a lot also in the price of butter and cheese. Now, take for instance, sweet cream has been—there has been a steady advance in the price of butter since the beginning of February and sweet cream prices have advanced about 25 per cent. Where you are paying at the beginning of February about 28 cents a pound for sweet cream, to-day we are paying 36 to 37 cents for sweet cream. There is quite an increase. You see, as butter strengthens up it will all have a reaction on the price of sweet milk.

The CHAIRMAN: I am satisfied for the present.

By Mr. Tummon:

Q. Just one more question I would like to ask, Mr. Chairman. It is a question in regard to the inspection of dairies in the city of Montreal, by the city health authorities. Would you say that that inspection was impartial as between the large companies and the smaller companies?—A. I do not think they give any favours to any company in the city, sir.

By Mr. Pickel:

Q. Mr. Cousins, how much milk do you separate per day?—A. I think that would be covered in these questions, sir.

Q. Be sure to bring it. That is really the only surplus milk you have?—A. Yes, sir. We will tell you, how much we separate.

Q. The other that you call surplus is not really surplus at all. You get the same price for it, but it is just given to the producer at the reduced price.

By Mr. Porteous:

Q. You stated that you sold about 12 per cent of your milk wholesale, in bulk?—A. Twelve per cent retail, sir.

Q. Twelve per cent retail?—A. Right. We sell 88 per cent wholesale.

Q. Can you tell us the price at which you sold bulk milk in cans to restaurants and hotels and so forth?—A. Yes, sir, to-day it is selling at 18 and 19 cents a gallon.

The CHAIRMAN: Now, gentlemen, it seems to me that as Mr. Cousins is coming back and we have had a very interesting discussion, and we have a representative of another dairy company here, I think we should hear him. Would you be ready on Thursday with all that information you are asked to give.

The WITNESS: I wish you could give me a little more time, sir.

By Mr. Loucks:

Q. Have you any patrons who send you no surplus milk at all?—A. No, sir, all the patrons are on the same basis.

By Mr. Gobeil:

Q. Doctor Hood the other day told the committee that no milk was allowed to be sold in Montreal at a lower percentage of fat than 3.25, but your average of fat for 1932 was 3.70. Some of the producers told the committee before that the price paid to the producer was so much for a standard of 3.5, or 3 cents less, below 3.5. Is that correct?—A. I said that there was the standard 3.5 with 3 cents a pound deducted below 3.5.

Q. Three cents less than the stated price?—A. Yes.

Q. And if your average was 3.6 or 3.70 for 1932, that would be nothing over 3.5 was passed on to the public. That would then show that the average milk was probably a high test milk, say, 3.7, so there must have been 4 and about 4. Now, do you make a test every morning on every can of milk that you receive from the farmer, or how do you arrive at that?—A. We take a composite test on each patron so many days a month, you see, that is tested every two weeks. Every two weeks—we take probably three or four tests a week and put it in the same bottle, and at the end of every two weeks that is tested, a composite sample.

Q. Is there any advantage for any dairy to buy milk above the standard 3.5?—A. I do not know what dairies are buying milk above 3.5 in the city. If there is one or two I don't know.

Q. Is your firm buying at the price for standard 3.5?—A. We pay the authorized price for 3.5 and 3 cents deducted for below.

Q. You give nothing above?—A. Nothing above.

By Mr. Pickel:

Q. Is the test made on the aggregate or for each customer?—A. Each customer is tested individually, sir. I think, Mr. Chairman, they got me kind of twisted on separating milk here at the beginning, but I will clear up that whole thing when I come the next time.

By Mr. Bertrand:

Q. Can you tell us how much you have separated?—A. Yes, I have that down here, sir.

By the Chairman:

Q. Now, I think gentlemen we will release the witness for the time being. I understand that he will be available again as soon as he can get these figures and information for the committee.

The WITNESS: I wish, Mr. Chairman, the reporters would leave out of the report all that separating question for the time being, so I could clear that up.

The CHAIRMAN: Which statement was it you mean, Mr. Cousins?

The WITNESS: Asked by this gentlemen over here to my right (Mr. Tummon).

By Mr. Tummon:

Q. Well, what I want is this, I stopped when I could not get that information because there is considerable more that I want to lead on from there, but I want that information before I lead on. Take the years 1931 and 1932, and up until the latter half of February, I want the total amount of milk that you received into your factory, I want the total amount that you classified as, let us call it, association milk, milk that was paid for at the association prices, the total amount you classified as surplus milk, and how you arrived at the quantities in each?—A. Yes, I understand.

Q. Then, I want the prices for that association milk and how you disposed of that association milk, whether wholesale or retail, what it went into, what price you received. I want the same thing for the surplus milk, how you disposed of it, whether it was ice-cream, sweet cream, powdered milk, butter, and on down; and what you received for it?—A. I have the question quite clearly now, sir.

The CHAIRMAN: Very well, gentlemen, we will have the witness released for the present. Now, we have with us Mr. Monette of the Perfection Dairy.

Mr. F. MONETTE, President and Manager of the Perfection Dairy Company, of Montreal, called and sworn.

By the Chairman:

Q. You have a statement, Mr. Monette?—A. I will give you a statement for 1931. Do you want me to read every item, or do you want me to read the principal items. I have a prepared statement which may go in.

Q. Leave it with the reporter?—A. I have prepared items, if you want me to give them to you I will give them to you personally.

Q. I think you should read the principal items to the committee, not in detail?—A. Do you want to know anything about the rolling stock, the bottles and machinery and property, I have got that.

By Mr. Pickel:

Q. How long have you been in business?—A. About five years in this dairy; I had been in the business about forty years.

Q. In the distributing business?—A. Yes, but in this dairy about five years.

By the Chairman:

Q. Mr. Monette says these are printed in French?—A. I could send you copies by return mail in English if it suits you better.

Q. I think we will have to have them in English in any case, both if you like?—A. I can send them over to you the next day if you like.

Q. Now, Mr. Monette just go ahead with your statement.—A. Now, milk seems to be an interesting question. It seems to be best that I am going to give my testimony in English, although I prefer to speak French. If I am not clear enough just ask any questions and I will do the best I can to make them clear. We are not buying milk with surplus and we don't skim. The prices paid for milk in 1931 in January was \$2.08, it sold at an average price of 38 cents per gallon; February, \$2.08, price sold 37 cents; March, \$1.07, sold at 34 cents; April, \$1.60, price sold 33 cents; May, \$1.48, sold at 32 cents.

By Mr. Dupuis:

Q. Just a moment, would you kindly explain the price paid \$1.67 and price sold?—A. Because I am giving you price per 100 pounds.

Q. You tell me a hundred, what would be your delivering prices by the hundred?—A. All the buying prices are per hundred pounds, and all the selling prices are per gallon.

Q. Well, it is a little confusing.

The CHAIRMAN: There is about 10 gallons to a hundred-weight.

The WITNESS: A gallon of milk weighs 10.32 or 10.33 pounds. June, \$1.20, price sold 29 cents; July, \$1.30, price sold 29 cents; August, \$1.36, price sold 29 cents.

By Mr. Pickel:

Q. That is gross?—A. That is delivered in Montreal, and the price sold is to our customers in Montreal, September, \$1.40, price sold 28 cents; the same in October; November, \$1.40 paid, price sold 29 cents; December price paid \$1.46, price sold 30 cents. For 1932, January, \$1.46, price paid, price sold 30 cents; February, \$1.46 paid, sold 30 cents; March the same; April, \$1.05 paid, price sold 29 cents; in May price paid, \$1.05, price sold 26 cents; June, \$1.05 paid, sold 26 cents; July price paid \$1.06, sold 25 cents; August, \$1.07, price paid, sold 25 cents; September price paid \$1.20, price sold 25 cents; October the same; November \$1.28 paid, sold 25 cents; December, \$1.60 paid, sold 29 cents. Total milk received in 1931, 1,180,000 gallons; in 1932, 1,293,000 gallons, and some over.

By Mr. Dupuis:

Q. Does that include the surplus?—A. Includes everything there is coming. We have kept away from buying milk on surplus because it was kind of a quarrel or upsets our shippers.

Q. So, you have only one price?—A. They much prefer these prices.

By Mr. Tummon:

Q. Do I understand that you pay for your milk really at a flat price?—A. Flat price, sir.

Q. In January of 1932, what did you say that was?—A. We paid in January, \$2.08.

Q. 1932?—A. Pardon me, 1932 we paid \$1.46.

Q. Was that the price to all of your producers?—A. To every one of our shippers.

Q. You paid that to every one of your shippers?—A. Every one of our shippers, no surplus, no skimming.

Q. Now Mr. Monette, what price is given there?—A. \$1.40 at Howick on the first of January.

Q. These figures differ from yours.—A. I think, if you take more time, I can send you a list of every shipper and the price they got.

By Mr. Dupuis:

Q. I would like the witness to read what he has in his hand. What is the price paid at Howick?

By Mr. Tummon:

Q. That is an account, isn't it?—A. Yes.

Q. From your company to one of your producers?—A. Yes.

Mr. DUPUIS: Will you kindly give what he is reading?

By Mr. Tummon:

Q. It is a statement. The only thing I was asking, Mr. Monette—I thought I was pretty good at reading French, but I wasn't just sure—I thought that the figures you read were not just the same as those in this bill.—A. Of course, you will find some shippers who will come over and ask you if they can start selling milk, come in and deliver wholesale and the like, at certain prices, and they were not regular shippers.

Q. Is that a regular shipper?—A. I cannot tell you to-day, I could find out, I have a list of shippers. J. P. Elliott, yes, sir.

By Mr. Dupuis:

Q. Would you find it in that report sent by your company to Howick people? Would it show the price they were paid in May?—A. What we paid in May for these people?

Q. In the month of May, 1932?—A. Well sir, I will try—

Mr. BOUCHARD: I do not see, Mr. Chairman, why the witness should be called upon to read other figures.

Mr. DUPUIS: They are his own figures.

Mr. BOUCHARD: They were handed to him by you. Why should you not read your own figures?

By Mr. Tummon:

Q. They are not my own figures, they are figures on a statement identified by him as his statement.—A. Yes, sir.

Mr. DUPUIS: You are afraid of light.

Mr. BOUCHARD: No, I do not think that the hon. member for Laprairie should look for any occasion for making a statement like that. It is not because I am afraid of light, because I want light, but I want the light to come from the proper source you see, and now I am satisfied as you have given me an answer, but I don't see why the hon. member for Laprairie should be so petty about it.

By Mr. Tummon:

Q. This is a statement upon which a producer was paid by Mr. Monette's company?—A. Yes, sir.

Q. And it is a statement for the year 1932?—A. 1932, yes.

Q. In watching the statement Mr. Monette read about the prices which he paid to his producers, I noticed discrepancies, as much as six to seven cents per hundred pounds. I merely ask him to identify his own statement.

By Mr. Dupuis:

Q. Would you tell me what you paid?—A. The average price was \$1.05.

Q. To Howick people?—A. Mr. Elliott over here in May had one dollar instead of \$1.05. That means very likely that somebody had \$1.10, generally \$1.10.

By Mr. Tummon:

Q. That is not the average price then, Mr. Monette?—A. It is—I might explain that better in French, if you would just allow me. I have nothing to conceal.

Some hon. MEMBERS: No, no.

The WITNESS: I am here to tell you everything I can. In July our price was \$1.06, so you can see that there was not very much difference. The first of September we paid \$1.20.

Q. Yes, how much for October?—A. October \$1.20. They had \$1.20; November we paid \$1.28 average, and he had \$1.20; November he had \$1.35 and the average price was \$1.28; December \$1.60. Now, we paid \$1.60 in January, and \$1.35 in February of 1932.

By Mr. Dupuis:

Q. Would it be too much for you to begin in 1932 and go over the year?—A. Sure, do you want the price paid or the price sold?

Q. The price paid to the farmers.—A. I will file that with the committee, if it is any good.

Q. Yes.

By Mr. Pickel:

Q. It should be filed in connection with these returns.—A. We will do that.

Q. What the hon. member is asking there is that you prepare the month of January on your statement with the month of January on Mr. Elliott's statement.

Mr. DUPUIS: Yes, that is all I want.

By Mr. Pickel:

Q. Mr. Monette, does this discrepancy exist with all of your people, or does it just happen to be Mr. Elliott?—A. I can swear that the average price paid to the farmer was this, that is as far as I can go.

Q. Would you admit that perhaps there are some other shippers who get a good deal less than Mr. Elliott?—A. I cannot swear that. All I can swear is this, that the average price paid to the farmer was this. That is as far as I can go here. If you want more information on certain individuals I am ready to give it to you.

By Mr. Moore:

Q. Would you please give us that particular one?—A. Yes.

Q. And you also stated I believe, that you paid all a flat price?—A. Yes. But the word "flat price" may not be the exact translation.

By Mr. Bouchard:

Q. Yes, it is a flat price.—A. You will have to excuse my English, but it is the best I can do.

By the Chairman:

Q. Can you make that comparison?—A. Yes, I can do it here. The first of January, 1932, \$1.46, \$1.40, \$1.46.

By Mr. Dupuis:

Q. That is your price for January?—A. That is the price we gave on our milk, for milk received in January, 1932, \$1.46. That is the cost of our milk.

By Mr. Tummon:

Q. Did they all receive the same?—A. That is what Mr. Elliott got, exactly.

By Mr. Dupuis:

Q. For which month?—A. January, \$1.46, Elliott, \$1.40, paid \$1.40, the same; March the same, April—

By Mr. Gobeil:

Q. The same?—A. The same price. He got \$1.40, and we paid \$1.46 for the three months. The first of April we paid \$1.05 average, \$1 for Mr. Elliott; May \$1, we paid \$1.05; June \$1, price \$1.05; July \$1.06, Elliott \$1; August \$1.07, Elliott \$1; September \$1.20, Elliott \$1.20; October \$1.20, Elliott \$1.20; November \$1.28, Elliott \$1.20—the later part of November we paid \$1.25 to Mr. Elliott, and the average price was \$1.28; so that means he sent in 1773 pounds at \$1.20 and 2,400 pounds at \$1.35; so that his price would be better than \$1.28 in November. In December the price was \$1.60, and Elliott, \$1.60.

By the Chairman:

Q. Mr. Monette, I was not in when you were giving part of your evidence, and I should like to know if you pay any premium for butter fat content.—A. We do not, sir.

Q. You pay on a uniform basis?—A. On a uniform basis.

By Mr. Pickel:

Q. This price of 25 cents express must be deducted from the farmer's price?—A. I cannot say the price is 25 cents.

Q. Well, the express charges.—A. Well, in some cases it is as low as 18 cents, but the farmer takes care of that.

By Mr. Bouchard:

Q. What breed of cattle has Mr. Elliott?—A. Breed of cattle? We don't know.

By Mr. Bertrand:

Q. You receive this milk at the station and you bring it to your plant. Have you a pasteurizing plant?—A. Yes.

Q. Of your own?—A. Yes.

Q. Do you know how much it costs per hundred pounds?—A. I cannot give the exact figures, but from five to six cents. It depends on the size of your plant and the quantity of milk you pasteurize.

Q. You claim it costs from five to six cents?—A. Yes, per gallon.

Q. Per gallon?—A. Per gallon. In that we include loss of weight.

By Mr. Pickett:

Q. How much?—A. About 1½ to 2 per cent.

By Mr. Mullins:

Q. Does it improve the milk?—A. Well, I cannot say to that; but there is one thing I can say, that in large cities everybody desires pasteurized milk. It is a public health ordinance, and we have to comply with it.

By Mr. Pickel:

Q. Do you sell wholesale or retail?—A. Part wholesale and part retail.

Q. What proportion?—A. It varied a good deal last year, because we went off the retail trade, and went into the stores and institutions and hotels.

Q. What do you get wholesale?—A. Last year we had 29 cents for the month of December—I mean to say the average price was 29 cents in the month of December.

Q. Your wholesale price?—A. The wholesale price in the month of December.

Q. What is your wholesale price now?—Our wholesale price to-day varies from five cents a quart to six cents.

Q. What is your retail price?—A. Retail price from eight to nine.

Q. Do you deliver milk in Montreal?—A. We—

Q. Did you in December?—A. No, sir.

Q. Do you make butter?—A. A little, very little.

Q. Buttermilk?—A. Hardly any. We are principally cream and milk dealers. We buy most of our cream from creameries, some in the county of Huntingdon. I think some of you gentlemen are interested in that district.

By the Chairman:

Q. Sweet cream?—A. Yes. But the quantity of cream that is coming into Montreal is going down year by year because of haulage costs.

Q. Is this sweet cream pasteurized before it is sold?—A. Oh, yes.

Q. But it does not come, necessarily from inspected stables?—A. It has to do that sir.

Q. When you buy from creameries?—A. We have to have authorization from the Board of Health in order to get it.

By Mr. Pickel:

Q. Do you buy this cream pasteurized or pasteurize it yourself?—A. Most of it is pasteurized, but we do pasteurize it when it comes in.

By Mr. Mullins:

Q. Do you add anything to the cream or milk, any ingredients besides pasteurization?—A. No, not allowed to do that.

Q. Do you put any powder in?—A. No, sir; why should we put powder in?

Q. Nothing but cream only?—A. Is the cream not good enough without adding anything to it?

Q. Well, some of the cream does not look as if it is very thick, and I thought probably you put something in it. What about your buttermilk?—A. We do not sell hardly any.

Q. What kind of ingredient is it that you put in, do you know?—A. We do not handle enough buttermilk to give you what you are after. We are a small dairy, and the larger dairies that will come after me will you more information than that. The buttermilk that we use is taken off the churn, which is a thing of the past in Montreal.

Q. I think it is.—A. You do not get it because there is hardly any more cream churned in Montreal; besides that, the taste of the people has switched to culture buttermilk.

Q. Well, I do not want it.—A. If you were living in Montreal you would.

By Mr. Pickel:

Q. Can you tell us why Mr. Elliott was discriminated against?—A. He was not discriminated against at all, sir. That man might have made an arrangement with the dairy and say well, I will sell you my milk at so much. You see, in certain times, he got a little more than the average price.

Q. Why should that be so?—A. Well, when you are making a bargain you know what it is. When you buy so many pounds at such a price, and the other fellow will buy say, a dollar cheaper—

By Mr. Tummon:

Q. Do you sit in with the distributors when they are negotiating with the Montreal Producers' Association?—A. Sometimes we do, and sometimes we don't. We are not one of the big dairies, and sometimes we are overlooked.

Q. Do you say you are not invited?—A. I do not say we are not invited, but we do not count very much, so we may as well stay home.

By Mr. Pickel:

Q. What is your idea of the selling price of milk?

Mr. MOORE: That is rather an evasive answer.

By Mr. Tummon:

Q. The price you pay to the producer, Mr. Monette, is not the price as I understand it, that was paid by the association. It was not an association price.—A. Well no. I am not going to say it is the association price, certainly not, and nobody pays it. There is nobody who paid the association price, and the reason of that is that we have so many farmers who were dissatisfied with the way the thing was handled. They would rather have a uniform price and know what they were getting for their milk when they send it to Montreal, and they have so much at a price, at the Association, and so much at another price, over which they have no control. We have a lot of new shippers, and it is a daily occurrence that they write us saying we are dissatisfied. We have been shipping for eighteen years, fifteen years to the large companies, and we are dissatisfied. We would very much rather to have your way of doing it, because we would know what we are going to get. Take January and February, our price was \$1.60 in January and without any skimage, we take care of that. We had a surplus the same as everybody else, and we took care of that in the price we are paying for our milk.

Q. In regard to the price, you said that the producer has a bargain with your company.—A. Yes.

Q. In each and every case?—A. Well, I would not like to say that.

Q. Have you a uniform price in which all the producers are paid the same during the same month?—A. I would not like to say we have a uniform price, but it varies very little, because shippers should be classified in one, two or three grades. The shipper who will send you milk, say four or five cans a day during the whole year, is a better shipper than the one who is going to send you five cans during the summer time, and two in the winter.

Q. Yes I will agree with that.—A. So that you cannot expect that man who supplies you with milk the year around to have the same price as the man who only sends you milk in the summer time. In that way we strike an average, and say this is what we pay.

Q. Now, take the milk that you receive from the producer; do you dispose of all that milk as sweet milk?—A. No, we cannot do that, because the production of milk in the summer time goes up, and we have a surplus.

Q. Well, you do not pay for the milk on a surplus basis or on association basis, and nevertheless you have a surplus.—A. Yes.

Q. How do you dispose of the surplus?—A. We make cheese, we make butter, we make cream, and we dispose of it the best way we can.

Q. You sell considerable milk wholesale?—A. Yes.

Q. You mentioned a moment ago you sold milk to the stores?—A. Yes.

Q. What stores?—A. I know what you refer to, you refer to the Thrift stores. Is it a fair question to ask me that?

Q. I have not that in my mind any more than anything else.—A. Let us forget that. We went off the retail business to the store business, because the cost of delivery in Montreal is very high, and by selling our milk to the stores at the lower price, it was better for us to do that because we had our money, and we did not lose any bottles, and more than that we have a lot of poor people

who were able to buy milk at a lower price, and thus buy more of it; and I believe that the store business has increased the sale of milk in Montreal to a large extent.

Q. When did you start selling milk to the stores?—A. I would not like to say that, I think around September. It was not our dairy that started that, it was two other dairies that started it, and they fell down and we took it after.

Q. What were the names of the dairies that fell down?—A. The Producers' Dairy, Chartrand was the manager, and the Franklin Dairy.

Q. What was milk retailing at in Montreal when you started to sell to the Thrift stores?—A. To the best of my knowledge, nine cents.

Q. What did you sell it at?—A. Seven cents. We were selling to the Thrift Stores—I would not like to put their names in the papers, if I can avoid it.

The CHAIRMAN: It is there now.

The WITNESS: Yes. Then, I am going to ask permission to talk French, because it would not be fair—it is not fair.

By Mr. Tummon:

Q. We do not care about the names.—A. As long as you keep it out, all right, because it is not fair for me to give any man's name.

Q. We will say "chain stores".—All right. They were selling their milk at seven cents.

Q. You were selling them at seven cents?—A. No. When they handle milk, they handled it at one a quart, that was their profit.

Q. How much did you sell the stores? What did you charge the stores per quart for the milk?—A. When the stores sold milk at eight cents, we sold it to them at seven; when we sold at seven we sold to them at six; they made one cent per quart on the sale of milk. Do you follow me?

Q. Yes.—A. All right.

Q. You say that you rather favoured the selling or the retailing of milk through the chain stores?—A. Yes.

Q. Do you think that is the best way to get milk distributed?—A. I believe so, because money is very scarce, salaries are coming down, and why should a man be asked to pay two or three cents a quart more for his milk than he can get it for at the store, when he can get it at the store for two or three cents less?

Q. How old must the milk be that is delivered to the consumer?—A. I do not understand.

Q. How soon after the milk is drawn from the cow do the Montreal regulations say the milk must be delivered to the consumer?—A. From twenty-four to forty-eight hours; but really the by-laws of Montreal will give you all that information; we have to comply with that.

Q. Forty-eight hours?—A. Yes.

Q. If the distribution of milk in a city like Montreal was left to the distribution of the stores, do you think they could satisfactorily comply with that by-law, when you take into consideration the holidays, legal holidays, Sundays and so forth? Do you think they could?—A. Legal holidays these stores are closed and they don't deliver any milk. I am going to tell you more than that, the day after Christmas and the day after New Year's all these stores were closed, and we don't deliver on Sunday. We didn't deliver any milk to them on Sunday; we didn't deliver to them the day after Christmas, which I remember very well.

Q. You have some rigs, automobiles or such like, which rigs deliver to the doors?—A. Yes.

Q. Then you deliver a less quantity through those rigs, don't you?—A. The rigs that deliver from house to house?

Q. Yes.—A. Certainly; that went down.

Q. Then your cost would go up?—A. In that way; the cost of delivery didn't go up with us, because we added to those rigs some milk sold to the stores.

By the Chairman:

Q. They carry milk to the stores?—A. Yes, to the stores; if there was half a load of milk going to the retail trade, and half a load going to the stores well, they would get it. Our cost would not go up. When we delivered milk to the stores it cost us a good deal less than if we delivered from house to house; and if you want me to, I could tell you from my own experience, that it costs about three cents a quart to deliver a quart of milk to a retail house, for one quart customers.

By Mr. Tummon:

Q. Three cents a quart?—A. About three cents a quart, yes; I would not like to give you it exactly, but it is pretty near; say two and a half to three.

Q. You mean just the cost of delivery is three cents a quart?—A. Cost of delivery. If you want to figure it out yourself, I can give it to you, and you can make it out for yourself.

By Mr. Rowe:

Q. You mentioned a little while ago you bought some of your milk pasteurized—you bought it pasteurized?—A. Bought milk pasteurized? We have to pasteurize it in our dairy.

Q. I understood you to say that; that is why I asked.—A. It is cream I answered.

Q. Cream was pasteurized?—A. Yes, cream was pasteurized; part of it is pasteurized, others is not pasteurized. I remember very well in the case of some cream at least, this cream comes over pasteurized.

Q. I understood you to say it cost five to six cents a gallon for pasteurizing?—A. For pasteurizing milk, five to six cents a gallon, for pasteurizing milk. This price may vary a little. It depends on the size of the plant and the quantity of milk which you sell.

By Mr. Bouchard:

Q. You mean per gallon?—A. Per gallon.

By Mr. Rowe:

Q. Fifty cents a hundred, pasteurized?—A. Exactly, five cents a gallon; yes, exactly. No, fifty cents a hundred, five cents a gallon—that is five cents a gallon, yes.

Q. About fifty cents a hundred to pasteurize milk?—A. Yes. No, it costs more than that.

The CHAIRMAN: No, you are mistaken in that.

The WITNESS: Five cents a gallon, fifty cents, that is right. You are right, sir. Five cents per gallon.

By Mr. Dupuis:

Q. Are you sure of your figure—of five cents?—A. Yes, I am not far wrong.

Q. We have been told that it costs approximately eleven cents per hundred to pasteurize?—A. Eleven cents per hundred?

Q. Yes, that it costs approximately eleven cents per hundred to pasteurize.—A. We could not do it for that, because if you take into consideration the

price of coal and the price of refrigeration, about \$35 a horse power, hold it overnight, lose from two per cent— $1\frac{1}{2}$ to $2\frac{1}{2}$ per cent—in winter time at least two per cent, in the summer time less. I am not very far from five cents. You can get those figures here.

By Mr. Rowe:

Q. In following your answers to the questions of Mr. Tummon a few minutes ago, I understood you to leave the impression that the chain stores of Montreal did not sell milk at any time for advertising purposes at less than their cost price?—A. I am not going to say that, because I do not run the chain stores. I am only telling you what they are doing; naturally the chain stores have been advertising milk at seven and eight cents.

Q. Yes?—A. When the price was nine to ten cents.

Q. Yes; but in your answers to his questions you said that when they sold milk at seven cents you supplied it to them at six cents?—A. Yes.

Q. And when they sold it at eight cents, you supplied it to them at seven cents?—A. Yes.

Q. In other words no matter how low they sold it, you supplied it a cent lower?—A. I beg your pardon?

Q. I say that in other words no matter how low they sold it, you supplied it a cent lower? That was the impression you left.—A. I didn't say that. I say they got so much for their milk, for the milk I sell them. After that, it is their milk. It don't belong to me any more, and I have got their money.

Q. I quite appreciate that.—A. They could sell it at the price they liked. I have nothing to do with that; and so far, they have been selling milk at a cent advance.

By Mr. Moore:

Q. Supposing these chain stores or these small stores——A. Yes.

Q.——have any milk left over, what do they do with that?—A. Our name is on the bottle. We put our name on the cap. Our name is on the cap. It is to our interest to get them to sell this milk; the next day we take back that milk.

Q. You take back the next day any left-over milk?—A. Any left-over. Besides that, I can say this, that the board of health looks after that. We don't have to do that.

Q. Mr. Monette, you resell it?—A. That milk, pardon me, we are not allowed to. The milk by-law won't allow you to put milk that has been out once. It has got to be skimmed, or else turned into cheese or butter as the case may be.

Q. Manufactured somehow?—A. Manufactured somehow.

By Mr. Dupuis:

Q. Mr. Monette if I understood your evidence rightly you say that when you sell to the chain stores you sell at a price to them, and in so doing that you decrease your cost of——A. Delivery.

Q. ——delivery?—A. Yes.

Q. That it provides milk for the poor people, which means a large number of unemployed who have nothing to do, and who are ready to get their milk at the store instead of having it delivered by you at their houses?—A. Yes.

Q. And pay a couple of cents less.—A. Yes.

Q. Now, as you understand, the object of this committee is to find the cause of the difference between the price paid to the farmer and the price sold to the consumers. You mean by that to say that it does not interfere at all with your agreement to pay a certain price to the farmer, even if you sell it to the chain stores——A. And there is the condition here, when I give you the price we have

been paying to the farmer for the last two or three months. We have been paying the association price for the last two or three months, the same as anybody else; in fact it is better than some, because we have new shippers coming in all the time.

Q. Am I right when I understand that you pay more to the farmers than the average dealer in milk?—A. It would be good advertising. Only for the last three months, I would say yes. I am not going to say we are always able to pay more than anybody else and then sell less, sell at a lower price, but so far, if you look at our price, you will find that our spread is gradually going down. With that, it does not mean that we are making less money, nor that it costs us less to deliver.

Q. Therefore we may conclude by that that you make just as much money in selling your milk to the chain stores as you make in delivering it to the houses?—A. Yes.

Q. The same profit?—A. I would say that, with practically the same profit. Now, you must take into consideration that in Montreal now, that selling from house to house, there is a lot of people on relief, and naturally if you get some of those customers, we are apt to lose some money.

Q. But when you have the luck—A. If we are lucky, we lose less; if we are not lucky, we lose more.

Q. I wish to put a fair question to the witness; we are informed that the milk dealers in large cities who receive milk from the farmers, measure up the quantity of fat in the milk which they receive, and that they are bound in delivering their milk to the consumer, to put in a certain quantity of fat; and if there is more, they take away that quantity of fat which is not necessary, and make cream or other milk products.—A. I cannot answer for the other dairies, but for our part, we do not do that. We buy milk from the farmers, get the best quality we can, and then we sell it as it is after pasteurization.

Q. What quantity of fat are you bound to leave in the milk you deliver?—A. Whatever there is. If it is 3·25, it is 3·25; if it is 3·70, it is 3·70. We do not touch the milk.

Q. You don't verify it?—A. Certainly, we have got to verify it to see that we don't get any milk that is below the milk by-law. That is the only reason we do it.

Q. The only thing you do is to make sure?—A. Sure. We try and check up our farmers the best we can, and sell their milk as it comes in. If the committee want a list of our shippers, if it is of any interest at all, I have it to the first of February.

By Mr. Bertrand:

Q. Is your company affiliated with any other companies?—A. No, sir, we are one small company.

Q. Are you a subsidiary?—A. No, not at all. It is a small company.

The CHAIRMAN: Now, gentlemen, it is one o'clock. Do you suppose we can dispose of this witness?

The WITNESS: Don't ask me to come back, if you please.

The CHAIRMAN: What time do you want to go home?

The WITNESS: As soon as I can. Three-thirty would suit me better, if you have not too many questions. I think I have answered very nearly everything.

By Mr. Pickel:

Q. Mr. Monette, do you buy on a standard basis, 3·5?—A. No, sir. We buy milk exactly as it comes, at a uniform price.

Q. How often do you test?—A. I beg your pardon?

Q. How often do you test?—A. We test occasionally, not all the time.

Q. Suppose you receive milk at 2·8; would that make any difference?—A. It would make some difference.

Q. In the price?—A. In the price? No. When we detect a farmer, you see, that is not an honest farmer, we just cut him off.

Q. You don't pay any premiums?—A. No, we don't pay any premiums; we don't deduct anything.

Q. You don't penalize him if he is under 3·5?—A. If he is under the milk regulation, then he comes in on "Milk adulterated" and the board of health looks after him.

Q. Who is president of your company?—A. I am.

Q. How long have you been in business?—A. With that company, about five years..

Q. Have you a board of directors?—A. Yes, a family affair.

Q. That is a family affair?—A. Yes.

Q. You are the president?—A. Yes.

Q. What is your salary?—A. No salary; don't get anything.

Q. What is the capital of your company?—A. \$125,000.

Q. Fully subscribed?—A. Fully subscribed.

Q. Who are the stockholders—how many are there?—A. Stockholders? Oh, there would be six or seven. I will say six; and I will say that I own about 95 per cent of the whole company.

Q. What dividends do you pay?—A. No dividends.

Q. None at all?—A. No, sir.

Q. Just doing business— —A. We are just five years old. It is a new company.

Q. Just doing business for your health?—A. Not exactly, sir, because I have got something else to do, through some other revenue.

Q. Your board of directors consists of how many?—A. Five.

Q. Five?—A. Yes.

Q. All in the family?—A. Yes, except one, J. Hebert.

The CHAIRMAN: I cannot understand that, Mr. Monette, how it is if you get no salary and no dividends, that you are going along.—A. It happens I have some more revenue, some outside revenue, besides that.

Q. You mean to say up to the present time you have made no profit on your transaction?—A. We haven't made very much—not very much.

By Mr. Pickel:

Q. How much?—A. It is hard to start a company and make a profit in these years, and you will see by my statements that profits are not very high.

By the Chairman:

Q. I would like to ask another question.—A. Yes.

Q. Since you have been selling the stores milk, the prices have been somewhat lower; has that had any effect whatever on the price you have paid to the producer?—A. Not at all, not at all; and if you will look at our prices paid to the farmers, in the list I have filed with you, you will find we have mostly paid the association price for three or four months back, that I remember.

By the Chairman:

Q. The price at which milk is being sold in the stores at the present time will naturally have a bearing on the price they will have to charge, is it not reasonable to suppose that?—A. Well of course what the other dairy,—What effect it has on the other dairies I could not tell you. It is easy to see, they will have to come down.

Q. Then, if they have to come down, do you not think that this will eventually affect the price that the producer receives?—A. We meet the other fellow, Mr. President, by the fact that the price we pay—that we give—Because, I remember in January, which is one of the hard months, because there is always a surplus in January, there is hardly any milk sold around Christmas and New Years, that is the time for surplus, and we haven't paid any less for our milk during that time, we paid the same.

Q. I would like to know, if you can tell me, in a few words, what are the factors that enter into the setting of prices. What factors enter into your calculation when you set the price to the farmer.—A. Supply and demand, and the price that we can obtain for our milk.

Q. Well, what constitutes the price you can obtain for your milk?—A. I don't get your question.

Q. You say, the price that you can get for your milk, that is, I suppose, from the consumer helps to set the price you pay the producer?—A. Yes.

Q. What sets the price that you get for your milk?—A. You see, when we are getting eight and nine cents for our milk, some of our whole milk that we sell at five cents, and other that we sell at six, well, with that we have so much expense, we have got to have a certain spread to meet our expenses and pay our bills.

Q. What I have not got to the bottom of in this whole discussion so far, either from yourself, or representatives from the Producers' Association, or from Mr. Cousins, is what are the factors that determine the price either to the producer or to the consumer. There must be some reason for setting a flat rate of ten cents per quart to the consumer. There must be some reason for setting a flat rate of so much per hundredweight to the farmers. I would like to know what are the determining factors.—A. You see, when we figure that the cost of delivery is about three cents per quart, pasteurization about a cent a quart—a cent and a half,—that is so much; pasteurization and other things.

Q. I know, that is the spread.—A. That is the spread, yes.

Q. But why not say, for instance, put it on this basis, that the farmer should receive \$1.50 per hundred for his milk, and then set the price to the consumer accordingly; or put it the other way, that the consumer must pay 12 cents a quart, and then the farmer will get so much accordingly.—A. Yes, it would be fine, if you were all alone in the city of Montreal, but there are others alongside of us, that might be willing to sell their milk at a cent less, where would we be; well, our customers would go.

Q. You mean it is a matter of competition?—A. A matter of competition.

Q. Not an arrangement among yourselves?—A. I am not in the game sir, that I swear.

By Mr. Pickel:

Q. Mr. Monette, does your company pay any income tax?—A. Yes, we do.

Q. How much?—A. Oh, I could not tell you that offhand. You could get that from your income tax department.

Q. They won't give it to us.—A. They won't give you that? I will send it to you, but we do pay income tax.

Q. But no dividends?—A. No, sir.

Q. A rather peculiar situation?—A. Peculiar situation, oh, no. A good many others like me have not paid any dividends.

Q. That is the condition of the farmers all through the country?—A. Of course, the farmer, he is in this position, you know that he has got to compete with the world.

Q. When you distribute your milk, you get the same price for the milk distributed by retail as the other companies do?—A. Would you mind mentioning a few names because they do not all sell at the same price.

Q. Guaranteed milk?—A. No, sir, some of it and others not.

Q. You cut prices?—A. Don't have to cut prices, they all do that.

Q. Do you sell for the same price?—A. We follow as much as we can.

By the Chairman:

Q. Mr. Monette, you don't mean to convey the impression to the committee that you are making no profits on your transactions?—A. We are making some, sir, not very much.

By Mr. Pickel:

Q. What is the condition of your company, have you any surplus?—A. In what way?

Q. Have you anything on hand?—A. Certainly.

Q. But not enough to pay a dividend?—A. Not enough to pay a dividend, don't have to.

Q. Don't have to?—A. We don't have to pay any dividend, it is left in the company, whatever there is.

Q. Have you a charter?—A. Yes, a provincial charter, yes, sir.

Q. You are capitalized at \$125,000?—A. \$125,000.

By Mr. Mullins:

Q. Mr. Monette, you have had to do, for some years, 28 years, almost continuously with the dairy industry. If you were milking cows, would you prefer hand milking or machinery? Now, that is just in the interests of the consumer that I am asking that question, knowing that you were connected with it for some years. Do you prefer hand milking, or a cow milked by machinery?—A. A cow milked by machinery? As long as your machinery is well kept, under very hygienic conditions, it is just as well. There is not very much difference, taking the average cow. I am speaking for the receiver of milk.

Q. Suppose you have a cow that gives five quarts of milk, and one that gives ten or twelve quarts of milk, and that machinery is set for the larger production, what is happening to that cow that gives the lesser quantity of milk; isn't it working on that?—A. That is what I told you. I said I was not talking for the cow but for the milk receiver in Montreal, for the milk distributor in Montreal; as long as the machinery is well kept, I do not think there is much difference.

The committee adjourned at one o'clock, to meet at the call of the Chair.

APPENDIX "B"

LAITERIE PERFECTION LIMITÉE
PERFECTION DAIRY LIMITED

MONTREAL

1931

	Prices paid for milk received per 100 lbs.	Prices paid for milk sold per gallon
January.....	\$2 08	\$0 38
February.....	2 08	37
March.....	1 70	34
April.....	1 60	33
May.....	1 48	32
June.....	1 20	29
July.....	1 30	29
August.....	1 36	29
September.....	1 40	28
October.....	1 40	28
November.....	1 40	29
December.....	1 46	30

These figures are in accordance with our books.

PERFECTION DAIRY LIMITED,

Per: R. LEDOUX,

Accountant.

1932

	Prices paid for milk received per 100 lbs.	Prices paid for milk sold per gallon
January.....	\$1 46	\$0 30
February.....	1 46	30
March.....	1 46	30
April.....	1 05	29
May.....	1 05	26
June.....	1 05	26
July.....	1 06	25
August.....	1 07	25
September.....	1 20	25
October.....	1 20	25
November.....	1 28	25
December.....	1 60	29

These figures are in accordance with our books.

PERFECTION DAIRY LIMITED,

Per: R. LEDOUX,

Accountant.

TOTAL MILK RECEIVED

	Lbs.
1931.....	11,804,042
1932.....	12,935,423

These figures are in accordance with our books.

PERFECTION DAIRY LIMITED,

Per: R. LEDOUX,

Accountant.

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Government
Publications

SESSION 1933
HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

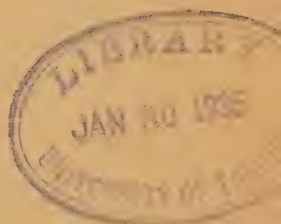
AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, MARCH 16, 1933

No. 6



Reference,—Milk and Milk Products

WITNESS:

George Hogg, President, Guaranteed Pure Milk Co., Ltd., Montreal.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

THURSDAY, March 16, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Blair, Boulanger, Bowen, Boyes, Brown, Carmichael, Donnelly, Fafard, Gobeil, Goulet, Hall, Jones, Loucks, Lucas, McGillis, McKenzie, Moore, Motherwell, Mullins, Myers, Pickel, Porteous, Sauve, Seguin, Senn, Shaver, Simpson, Smith, Spotton, Stewart, Stirling, Taylor, Totzke, Tummon, Weese, Wilson, Weir (*Macdonald*).

The chairman called for a report from the subcommittee on witnesses.

Mr. Tummon for the subcommittee reported that Mr. George Hogg, President of Guaranteed Pure Milk Co., Ltd, of Montreal, had been summoned to appear to-day.

Report received and concurred in.

George Hogg, President of Guaranteed Pure Milk Co. Ltd., of Montreal, called, sworn and examined.

Witness was instructed to file certain statements by forwarding same to the Clerk.

Witness retired.

The meeting adjourned at 1.15 p.m., till Tuesday, March 21, at 10.30 a.m.

A. A. FRASER,

Clerk of the Committee

MINUTES OF EVIDENCE

HOUSE OF COMMONS, Room 231,

March 16, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 a.m., Mr. Senn presiding.

The CHAIRMAN: Gentlemen, when we adjourned on Tuesday it was understood that we should meet again at the call of the chair. I am going to ask Mr. Tummon to make a report as chairman of the sub-committee on witnesses.

Mr. TUMMON: The only report of the sub-committee I have to make is that we asked Mr. Hogg of the Guaranteed Pure Milk Company of Montreal to appear before the committee this morning and give evidence. Now, may I state further that I think Mr. Cousins agreed that he would be prepared to continue his evidence about next Tuesday. Such being the case, I think we should have Mr. Frank Cousins and Mr. Monette back next Tuesday, and also have Mr. Cousins, the president of Ernest Cousins Limited, here as well.

The CHAIRMAN: We have with us this morning Mr. Hogg of the Guaranteed Pure Milk Company of Montreal and we will ask Mr. Hogg to come forward.

GEORGE HOGG, called and sworn.

The CHAIRMAN: You have a prepared statement, Mr. Hogg?

The WITNESS: Yes, I have a statement. Mr. Chairman and gentlemen, the company that I represent had its beginnings in a very small way almost forty-eight years ago, when I started as a young lad, red headed and just as green as the fields I came from. We were having rather difficult times on the farm in order to make headway in those times, and I conceived the idea that, if I could deliver my milk to the city, things might be better. But one thing I was short of at the time was cash, and I have been more or less in that condition ever since. In any case, I had raised as a young ambitious boy would do, a couple of very nice fillies at that time, and Dr. McEachern, whom I am sure the Hon. Mr. Motherwell will remember, was buying these fillies and sending them out to a ranch in Alberta for breeding purposes, and he came down and looked at these fillies of ours, and I was fortunate enough to sell him one for \$150. That, gentlemen, gave me the start. I bought an old black horse and a two-wheeled cart and a half a dozen rusty cans—they were not so particular those days as they are at the present time—and I started out full of courage to try and build up my destiny. That was in the fall of 1885 and for sixteen years after that time I milked my cows and cooled my milk, and either myself or a helper delivered the milk in the city, and during all those years, gentlemen, I was never in my bed after three-thirty in the morning, and in looking back now I sometimes wonder how we did it. When we got done at 6 o'clock in those days we thought it was fairly early. My neighbours were all working in the same way I was, and very happy to do it. Yet, we carried on, I think, until 1902, and by that time I had built up two decent milk rounds, and the opportunity came to branch out into the city, and I and the late W. H. Trenholme who was my brother-in-law at that time, took over a com-

pany that had been started in the city of Montreal and had run for a little over a year, and it was practically on the rocks at the time we took it over. We went in there, and there I have been working ever since. I am now, as I told you, in my forty-eighth year in business. Now, with that I will start my story about the conduct of my business, and I have first a letter that I want to read to you.

The the Select Standing Committee on Agriculture and Colonization,
Ottawa, Ont.

Mr. CHAIRMAN and GENTLEMEN,—Feeling that our common interests will be better served I have prepared a general statement of the policies and practices of my firm with regard to the main factors governing our operations as a dairy.

I have made no attempt to present actual figures or percentages as I feel that any detailed information required can and will be supplied in answer to your questions on any specific subject.

The sole purpose of this general statement is to establish a record of our practices and the various elements encountered in our operations.

I have the honour to be,

Your obedient servant,

GEO. HOGG,
President,

GUARANTEED PURE MILK COMPANY LIMITED.

PRICE TO PRODUCER

At the outset we should like to describe the relations existing between our company and the producers who supply us. In our company the producers have a guaranteed outlet for their product and can depend absolutely on regularity of purchase and payment. On the other hand, the amount they supply is not always constant, and our company has to be prepared to meet this situation both when production volume is high and when it is low.

The producers are fully protected on the price they are paid by the agreement agreed to between the Producers' Association and our company. This agreement we strictly adhere to, and refuse to buy milk at a lower price even when it is offered to us.

From time to time adjustments are necessary in the basic price. Should our company desire to make an alteration in this price, we approach the Producers' Association and endeavour to reach an agreement. Similarly when the producers feel an adjustment to be desirable, they have equal facilities for approaching us. Thus our mutual interests are adequately served.

In addition, the average price we pay the producers is actually higher than the agreed price, owing to the fact that we pay a premium for milk of a high butter fat content. The contract price is on a basis of 3.5 per cent butter fat content, but we also pay 3 cents per 100 pounds for every point that the butter fat content exceeds this basic figure—that is to say, for milk of 3.6 per cent butter fat content we pay the basic price plus 3 cents per 100 pounds. In 1932 the average test was nearly 3.7 per cent butter fat content, so that our producers in that year received on an average six cents per 100 pounds more than the basic price established by the Producers' Association. For this reason, in our specific case, it is not fair to judge the spread between purchase and sale price by the agreed price.

SURPLUS MILK

Unfortunately, it is not possible for anyone in the dairy business to maintain a control of or to regulate the supply. The fluctuation of supply very often creates a situation whereby a producer will be shipping us three times as much milk during the abundant season as he can or will ship during the short or "off" season.

In addition to this, we are faced with fluctuation of demand, and it adds considerably to our problem that in a good percentage of the time the demand increases in direct conflict with the supply. That is, that very often the demand increases while the supply shortens and will decrease when the supply is abundant. The fluctuation of demand is particularly acute in the larger urban centres.

These factors, despite our most conscientious efforts, create a condition of over-supply which is regarded as surplus milk and paid for by us as such. Our firm goes to great lengths to co-operate with the producer by attempting to anticipate the demand and regulate the supply so accurately that the percentage of surplus milk is kept to a minimum.

We refer to surplus milk as that milk not sold through any of our regular avenues of sale, but used as sweet cream or used in the manufacture of butter. All the milk classed by us as surplus milk is used in this manner and none ever sold through regular profit-producing channels.

It is due to this practice coupled with the efforts we make to co-operate with the producer in anticipating demand and arranging for adequate but not superfluous supply that made it possible for us to keep our percentage of surplus milk, or milk paid for at a lower rate, to approximately only 11.9 per cent of the total milk purchased by us during 1932.

Each month (we pay the producer on a monthly basis) we take the total volume of surplus milk and break it down on a pro rata basis among all the producers, so that each supplier assumes a fair share of the lower price paid for surplus milk. For example, if our surplus milk for any month were 1,000 pounds and the breakdown showed that any one producer had shipped us 10 per cent of the total milk received, 100 pounds of the milk he shipped us would be purchased at the price of surplus milk.

BUTTERMILK

Our "Old Fashioned" churned buttermilk is made according to the standard methods taught in every dairy school in Canada and United States.

Fresh, nearly whole milk is pasteurized. Fresh buttermilk is added to the milk, which is allowed to sour.

The soured milk is churned till it has the right consistency and cooled to 38° F. All the butter is left in the buttermilk.

Buttermilk, produced in this manner, is much superior to the small churn buttermilk in that it is controlled from a sanitary standpoint, uniform in quality all the year through, richer in butter fat and does not whey off because it is not churned to the extreme.

It is not a by-product but a real dairy product.

PASTEURIZATION

There is no need for us to go into an elaborate treatise on the beneficial effects of pasteurizing milk sold in urban centres.

Such authorities as:

The Federal Department of National Health,
The Federal Department of Agriculture,
The Provincial and Health Departments of large cities,
The Canadian Public Health Association,
The Departments of Preventive Medicine of all the Canadian
Medical Schools,

recommend the pasteurization of all milk supplies.

We, on the advice of physicians, installed adequate and costly pasteurization equipment even before the pasteurization of milk was demanded by civic by-law.

DELIVERY REQUIREMENTS

The conditions under which milk must be delivered from producer to ultimate consumer apply to no other commodity. In order that the product be at its best it should be used within 48 hours after the herds have been milked. During this period it must not be permitted to rise more than a few degrees above refrigeration temperatures. While it is true that certain methods of distribution now being followed may not satisfy these conditions, the methods which we employ, and which are employed by all responsible milk distributors, ensure that the necessary conditions of delivery are satisfied in every respect.

A delivery system designed to handle milk efficiently, quickly, and healthfully is expensive. In the first place, adequate refrigeration equipment must be maintained at the dairies. Secondly, public demand, competitive situation and quality standards, force us to deliver all milk placed on any vehicle within a very few hours of its start from the dairy. This makes it impossible for us to load our vehicles to a maximum capacity and makes it essential for us to employ many more vehicles than would be required under other circumstances. Finally, for operations under summer and winter conditions, we are forced to maintain double delivery equipment, half of which is always idle.

Covering costs of the service as outlined may mean some additional charge to consumers. Since the service is imperative if health standards are to be maintained, this added cost most certainly has ample justification.

PRICE TO CONSUMER

With regard to the spread between the price at which we buy our milk from the producer and the price at which we sell it, we should like to emphasize one point very strongly. Though the individual consumer now pays nine cents a quart for milk delivered at his home, this is not the price at which all our milk is sold. In our company the amount of milk delivered and sold to homes constitutes well under two-thirds of the total. The remainder is sold to various types of purchaser. We have followed the policy of charging minimum prices consistent with costs on all milk supplied, for example, to charitable institutions, hospitals and schools. Other purchasers include retail stores, restaurants, manufacturers and dealers. From all these groups we obtain considerably less than the individual consumer pays, the price to each being determined largely by the quantity taken, except for charitable institutions, hospitals and schools to which we extend special consideration. Owing to this variety in the channels through which our milk is sold the average selling price is considerably less than nine cents a quart. In judging the extent of the spread this aspect of the question should be clearly borne in mind.

By Mr. Tummon:

Q. Mr. Hogg, I think really that you are to be congratulated upon the statement which you have just submitted to the committee. I think it is the fullest statement we have had yet, and you deserve to be congratulated on that.

Now, what the committee are very much interested in is the price paid to the producer, the price that the distributor receives for it, and the spread in between, Mr. Hogg. Now, perhaps, some of the questions that I am going to ask are going to try to get that, if we can. You spoke about the association price. Will you tell the committee how that price is arrived at; that is, you meet with the Producers' Association, I presume?—A. Yes, that is the way we do it. Would you like me to answer that?

Q. Yes.—A. At the call of the producers, we meet with them in session, and they explain their side of the case, if it is they who are making a demand for an increased price, either owing to shortage of milk or to a rise in the dairy products market, or for any other reasons that may affect the price of milk. On the other hand, if we find the price is too high and that we are suffering through competition, we will ask for a meeting with the producers and explain our troubles to them, and up to the present time we have always been able to come to a fair agreement. Does that answer your question?

Q. Yes, pretty much, only I would like to know, Mr. Hogg, what body of producers do you meet with; is there just one?

The WITNESS: We have always met with the one. There is the president and the board of directors, and we meet with them. They come to Montreal and we meet with them there.

Q. That would be the Montreal Milk Producers' Association?—A. The Montreal Milk Producers' Association.

Q. I see. Now, before these meetings are held, when you know there is a meeting to be held, do the distributors get together at all and agree on about what they are prepared to give to the producers?—A. Well, Mr. Tummon, I want to say this to you, there are something over 400 dealers in our city, there are four companies of us who are trying to maintain a high class trade, and we have always been looked to to lead the way. It is with us that they always deal. We sit in. There might be quite a big gathering, Mr. Tummon, but the Milk Producers' Association, sir, all seem to be quite satisfied if the four companies will give their word. They feel that they are perfectly safe, and we have never yet broken our word to the Producers' Association without consulting them.

By the Chairman:

Q. Who are those four companies? Will you give us that?—A. Yes; the Borden Milk Company, J. J. Jubert Company, the Elmhurst Company and the Guaranteed Pure Milk Company.

By Mr. Tummon:

Q. Are the Borden Company and the Jubert Company the same company?—A. No, they are separate companies.

Q. Now, you spoke about 400 dealers. What you meant by 400 dealers, I presume Mr. Hogg, was those who were distributing milk?—A. Exactly.

Q. Not those who have pasteurizing plants?—A. No, there is a lot of them that buy their milk from smaller pasteurizing plants.

Q. Yes. Now then, I presume that perhaps these four companies have an idea before they go to that meeting about what they are prepared to pay?—A. Well, Mr. Tummon, to be quite frank with you, we are all tied up in one bundle, and if there is to be a demand made on us, we certainly compare notes.

Q. Yes, and no doubt the other fellows, the producers, do also.—A. The producers do the same thing, yes.

Q. Now, could you tell the committee, Mr. Hogg, what percentage of the milk purchased by your company in 1932 was paid for at association prices?

The CHAIRMAN: He made that statement here.

The WITNESS: Well Mr. Tummon, we paid for it all at the association price, about 11·9 per cent.

Q. 11·9 per cent, that would make 89—A. Here, I have it here, 88·1 per cent was sold as fluid milk.

Q. As fluid milk, that was paid for at association price?—A. That was paid for at association price.

Q. All right. Now then, you really paid for some of that, a little more than association price, as I understand from your statement?—A. In 1932, Mr. Tummon, we paid in net premium, \$14,781.76; that was above the association price.

Q. That would be the average to the 88 per cent?—A. No, the average there on the milk, surplus and all.

Q. Surplus and all?—A. Oh, yes, that is the average there on all.

Q. I see. Now, Mr. Hogg, I think it would be of interest for the committee if you would explain to the committee why you pay a premium—you are not compelled to pay a premium are you?—A. No, Mr. Tummon, we are not compelled to pay a premium. But, gentlemen, speaking for our company, I was never satisfied in selling an article that was only medium. We were catering to a high class trade, and the best milk that we can secure, sir, is none too good for our trade. I think that answers the question.

Q. Then, your sole object in paying a premium, was to raise the standard of milk, or to raise the quality of the milk?—A. In the old days, Mr. Tummon, before we started that, we were getting far too much low testing milk, so when we started paying on the test, we were able to weed out the poor test, and keep taking on those who had high testing milk; and I think in my notes I told you that our milk during 1932 averaged for the whole year almost 3·7 per cent—it was a small fraction under that, I think it was 3·69, do you see?

Q. Yes, well, and then that averaged milk of 3·7, we will say?—A. Yes.

Q. Or 3·69. You deliver that milk to the consumer—A. Just as we get it.

Q. Just as you get it, all right. Now then, that left a percentage—A. A what, sir?

Q. After you have your percentage of the total milk that you received during 1932 for direct delivery, that left you about 11 per cent surplus?—A. It was 11·9 of surplus milk.

Q. Surplus milk, and you told us in your report how you arrived at that surplus milk?—A. Yes, that is how we arrived at it.

Q. At the end of the month if you have more—A. It was divided pro rata over all shipments.

Q. Yes, all right; now that was 11·9. I think in justice to Mr. Hogg, since other reports have been filed, it is no more than fair that he should produce, as we had from the others, milk statements to farmers; and I have a number here. Mr. Hogg, I think you will identify them as coming from yourself?—A. That is from ourselves.

Q. All right, will you let me have them?—A. All right.

Q. Now, this is during the different months, from one of Mr. Hogg's shippers.

The CHAIRMAN: What is the year?

Mr. TUMMON: 1932.

By Mr. Tummon:

Q. The total number of pounds: December, 1932, 5,523 pounds of milk, 663 surplus; and 4,516 pounds of milk in November, and no surplus?—A. Well, milk was scarce at that time.

Q. Yes. October, 5,133 pounds of milk, 359 surplus; September, 4,849 pounds of milk, 339 pounds surplus; and so on right through the year. We come to August, 4,670 pounds of milk, 162 pounds surplus. I think, I say, in justice to Mr. Hogg, that should be brought out. Now, can you tell us, Mr. Hogg, what the average cost per hundred pounds of milk was, for all milk other than surplus, in the year 1932, delivered at your factory?—A. Well, I haven't got that, Mr. Tummon, but the average price paid the producers for 1932, for all milk including surplus, was \$1.46 a hundred.

Q. \$1.46?—A. A hundred, yes, that included the surplus milk.

Q. I would like, if it is possible at all, to get at the average price per hundred pounds of the association price milk, and the average price per hundred pounds of the surplus, if we could?—A. What was it? You would like the price paid to producers.

Q. The price paid to producers per one hundred pounds on all milk other than surplus in the year 1932?—A. Well, here is what I have got, I will give you this—you know gentlemen, I only got my instructions to come here yesterday.

Q. That is all right?—A. And we had to do some work to get this out.

Q. I understand that?—A. I am going to quote, this is on 40 quarts—40 quarts, 102½ pounds, and that is how this is made up. In January we paid \$1.77 a hundred, in February, \$1.77, in March, \$1.77; April 1 to 15, \$1.77; April 16 to 30, \$1.41; May, \$1.41; June, \$1.44; July, \$1.41; August, \$1.44; September, \$1.44; October, \$1.48; November, \$1.48, and December, \$1.73.

Q. Well, Mr. Hogg, you could arrange, I think, to file with the committee later the average price per hundred pounds for all milk other than surplus delivered at your factory in 1932?—A. If you will allow me I will be glad to furnish it.

Q. Thank you, sir. Then, we will also do this.—A. Now, one moment, just let me get that.

Q. —well, the clerk will have it?—A. All right.

Q. Could you also furnish the committee with the average cost per hundred pounds of surplus milk delivered at your factory in 1930?—A. I think I could, I am just a little hazy; I think we can all right enough.

Q. You have your total quantity of milk, you know how much is surplus and how much association?—A. All right, we will be glad to do that.

Q. Could you give the committee any idea what the net price per quart the milk cost you at association prices for 1932?—A. I think so.

Q. Now, Mr. Hogg, what I am coming at is this.—A. You want to get that by the quart.

Q. I should like to get it by the quart because you sell it by the quart?—A. Well, I haven't got that by the quart, I can give it to you—what the actual price was per hundred pounds.

Q. Actual price per hundredweight?—A. What the actual cost was per hundredweight each month.

Q. All right, that was \$1.46?—A. Yes, it cost—the average price paid the producer was \$1.46 per hundredweight.

Q. \$1.46 per hundredweight. Now, that would be, how many quarts, roughly?—A. Well, you see there are 38·83 quarts in a hundred pounds of milk.

Q. That is 38½, somewhere around that?—A. Yes, practically; but I will be glad to furnish it.

The CHAIRMAN: That should be furnished.

By Mr. Tummon:

Q. Was it \$1.46 f.o.b. Montreal?—A. This price I quoted you? Yes, sir.

Q. The farmer's price would be that price less the transportation charges?—A. Oh, no, we don't pay the transportation charges. I am giving you what we pay for it.

Q. Yes, I see, the producer's price would be \$1.46 less transportation?—A. Yes, less transportation.

Q. That would be the net price?—A. That is right.

Mr. STIRLING: That would make about 3.65 cents a quart.

By Mr. Tummon:

Q. You say 3.65 a quart?—A. Now, then, my friend here, Mr. Stirling tells me that that figures out about 3.65 cents per quart that it cost you?—A. Yes.

Q. In Montreal?—A. Yes.

Q. Now, then, you dispose of the association price milk to the consumer as fluid milk, don't you?—A. Yes, it comes under five heads. There is the retail, then there are the stores, then there is charity, then there is the restaurant, and then there is the manufacturer.

Q. All right, now, can you give us the average price per quart that you sold that milk for in 1932?—A. Well, gentlemen, I could tell you what our net spread was for both years. For 1931 our spread was 4.04 cents per quart, and for 1932 it was 4.52 cents per quart.

Q. You can't tell us, then, the average price that you disposed of the milk per quart for?—A. Well, gentlemen, it could be very easily figured out. I can give you the different amounts. For instance, for our retail milk we got 11 cents for five months in 1932 and 10 cents for the rest of the months; that is retailed milk.

Q. Yes?—A. For stores we got 9 cents for five months and 8 cents for the balance of the year; for charity we got 1 month at 10 cents, two at 9 cents; eight at 8 cents and two at 7 cents a quart. Then for restaurants we got three months at 7 cents and the balance at $6\frac{1}{4}$ cents a quart. For manufacturing, for three months we got $5\frac{3}{4}$ cents a quart and for the balance of the year 5 cents a quart.

Q. The average, according to your figures, then, the average cost was 3.65; and for 1932 your spread was—A. Was 4.52 cents, a little over $4\frac{1}{2}$ cents.

Q. Then, you would be selling it at an average price of 8.17 approximately. I would like, if we could at all, to arrive at a possible price per quart of transportation charges. I would like to get, Mr. Hogg, if I could, the actual spread between what the farmer or the producer receives net, and the average price that the consumer pays; and then I want to find out how that spread is built up?—A. Well, I will give you that, gentlemen. Taking our cost, the cost of milk to us in 1933 was 43.1 per cent, that is what it cost us; and in 1932 it cost us 51.1 per cent, that is what the milk cost us.

By the Chairman:

Q. Percentage of what?

By Mr. Tummon:

Q. That was per cent on a hundred pounds?—A. Yes, on a hundred pounds.

Q. Of the total?—A. Here again, Mr. Tummon, I think I have become a little mixed. Our spread in 1932 was 4.339 cents and in 1931 it was 4.773 cents.

Q. In 1931?—A. Yes, 4.773, almost $4\frac{3}{4}$ cents a hundred in 1931, and 4.33 in 1932.

By the Chairman:

Q. How do you account for the difference in your former figures?—A. What is that, sir?

Q. How do you account for the difference in your former figures, perhaps one includes surplus milk and the other does not?—A. Well, now, Mr. Chairman, I am not myself an accountant. I was only a farmer to begin with, and I have just waded up through the years; but in any case I could very easily get that for you.

Q. I think you will find the one includes surplus milk and the other does not?—A. What did you say?

Q. I think you will find the one includes surplus milk and the other does not?—A. Well, that may be. This thing was made up in such a hurry; I only got that order yesterday at eleven.

By Mr. Tummon:

Q. Yes, I understand that, Mr. Hogg. That is absolutely right. Now listen, Mr. Hogg, I would like to establish definitely for the information of the committee the actual spread in what the milk, which you might call association milk, costs; the spread per quart, and the average price that the consumer pays; the spread between these two?—A. Well, that is what it is, for 1932 it was 4.33.

Q. Yes, but that is not per quart?—A. Yes, that is per quart; that is our spread per quart.

Q. Per quart?—A. 4.33.

Q. Now, then, that figures out how much? That would be 7.99, and I thought from the figures that you read out that that meant the price that you received per quart for your milk?—A. I didn't catch that, sir.

Q. I say, from the figures that you ran over, the figure you received for your milk from the different sources to which it went, that that looked to be rather a lower average?—A. No, I will just give you that, wait a moment. Here are the percentages—60 per cent retail, 4 per cent to stores, 1 per cent to charity, 10 per cent to restaurants and 25 per cent for manufacturing.

Q. Now, then, that is a very good point; let us take these items one by one. You say that 60 per cent went to retail?—A. Sixty per cent, yes.

Q. Have you the average price per quart that that 60 per cent went at?—A. Yes, in this report here.

Q. The average price?—A. I tell you it ran from 6.58 to 6.30, it is all over 6 cents.

The CHAIRMAN: The retail price.

The WITNESS: It would be an average of 6½ cents for retail.

The CHAIRMAN: Is that not the spread?

Mr. TUMMON: No, no.

The WITNESS: That is the spread on the retail.

By Mr. Tummon:

Q. All right. What is the next one?—A. The stores.

The CHAIRMAN: We should get that right, Mr. Tummon.

By Mr. Tummon:

Q. Is that 6 cents the spread?—A. Here it is, all the different months: In January we had 6.58 spread on retail; the same in February, the same in March, the same in April and in May—no, from April 16th our spread was 6.48; May, 6.48; June, 6.40; July, 6.48; August, 6.40; September, 6.40; October, 6.30; November, 6.30, and December, 6.68.

Q. Now, then, your spread.—A. On retail milk.

Q. For retail milk, which constituted 60 per cent, say, was all over 6 cents per quart?—A. It was, yes.

Q. Yes. Now, then, what is the next item?—A. The stores.

Q. The stores, all right?—A. Well, that runs at practically 4½ cents per quart.

Q. Spread?—A. That is spread, yes.

Q. What percentage went into that?—A. Four per cent.

Q. Now, then, the next item?—A. Is charity.

Q. Yes?—A. One per cent.

Q. And the spread?—A. The spread on that was 5·58 in January, 4·58 February and March, in April it was 3·58, and then 4·58; 4·48; 4·40; 4·48; 4·40; 3·30; 3·30 and 3·68.

Q. That was the average. What was the other item?—A. Restaurants—there was 10 per cent to restaurants.

Q. Have you the spread on that?—A. Yes. We have the spread.

Q. The average spread?—A. Well, it amounts to 2·5 cents per quart.

Q. I see. Take the next one?—A. Manufacturing.

Q. Yes.—A. Well, that runs from 1·33 a quart down to ·68 a quart—a little over, not quite three-quarters of a cent per quart.

Q. Do you make any profit on these different lines?—A. We have only got the profits on the whole business.

By the Chairman:

Q. You would not say that you are losing money on any of these different things?—A. Well, we have got to compete.

Q. That is scarcely an answer to the question?—A. Well, what would you like.

Q. I would like you to say yes or no, that you have made profit on each and every one of these lines?—A. Well, all we know is what we had on our whole outfit.

By Mr. Tummon:

Q. Well now, Mr. Hogg, the committee would like to know what caused the spread?—A. What caused the spread?

Q. Now, there are certain costs, I presume, in between the producer and the consumer which are included in that spread?—A. Well, if you take a hundred as a unit—

Q. A hundred pounds of milk?—A. Well—or, take the hundred that I will give, the percentages.

Q. All right?—A. The cost of the products was 47·21 per cent, our dairy charges were—

Q. Now, the cost of the product: is that the cost of the product to you after the producer has paid the transportation charges?—A. Oh yes, because we don't enter into that.

Q. That is f.o.b. your plant?—A. Yes that is f.o.b. our railway station. The dairy charges are 7·5 per cent; delivery charges are 18·8 per cent; general expense, administration, bond interests, taxes and licences amount to 11·6 per cent; depreciation and bad debts are 5·6 per cent.

Q. That covers it?—A. That covers it, yes.

Q. Now, let us take your first item again?—A. Of course, if you are going to give it up to a hundred, gentlemen, I will have to tell you that the income tax was 1·4 per cent and our gross was 7·7 per cent on our turnover.

Q. That is your gross profits?—A. Profits, yes.

Q. Now, then, let us take each of these items, Mr. Hogg?—A. No, no, not our gross; our net profit was 7·7 per cent, that is different.

Q. Yes. Now then, take the first item which you gave us.—A. The cost of the product.

Q. We know pretty well what that is, what is the next?—A. Dairy charges.

Q. Will you explain to the committee what that covers?—A. Well, the dairy charges are all the costs in connection with the milk from the moment it enters the doors of our dairy.

Q. It covers pasteurization?—A. Pasteurization and labour.

Q. And bottling?—A. Bottling.

Q. And cost of bottles?—A. Cost of bottles—everything entailed within the dairy.

Q. Now, can you give the committee any idea what the cost of pasteurization is per hundred pounds, or quarts or gallons?—A. Well, no, because that is all in our dairy charges.

Q. We had evidence the other day, Mr. Hogg, if my memory serves me right, that pasteurization cost approximately five or six cents a gallon?—A. Well, gentlemen, I have not the figures, but I know it does not amount to anything like that.

Q. Do you, that is all we want. Now, then, Mr. Hogg, I wonder if you could tell us—you know about how many quarts you handle—I wonder if you could furnish the committee through the chairman with an idea of just what pasteurization costs per quart, per hundred or per gallon?—A. I want to tell you, gentlemen, that our business has always been run as practically a private enterprise, and we, perhaps, have not got details as some of the companies that are differently financed than ours. I, myself, have been there all the time. I live with the plant, and I know what is going on; but a great deal of our work, you know, is under the old system of rule of thumb, like we did when we were milking the cows.

Q. That is one reason why we would like to get that evidence?—A. I will try to get it.

Q. One reason we would like to get it, Mr. Hogg, is this, that from the time the milk leaves the producer and goes to your plant there are certain costs that are placed upon it as the result of hygiene and health regulations imposed by the city of Montreal, and we want to be sure that these things are not working to the detriment of the producer; that the producer must eventually pay for these things. That is what we are trying to get at. Now, if as the result of these regulations for health and suchlike—these regulations put into force by the city of Montreal—the producer has got to pay, we would like to know it?—A. Mr. Tummon, might I say this to you. You know, after all, just at the present time the world is suffering from over-production of dairy products, and one of our troubles is to keep the stuff out of the city. Take, for instance, things could be much better if we could get co-operation from the farmers themselves, but they do not co-operate. That is the trouble. We try. Here are four firms in Montreal, and I do not think I am speaking beside the mark when I say they have tried to stand up for a fair price for the farmer and make high standards; but our difficulty, gentlemen, is—I will tell you one case that came to my own knowledge: one of our own shippers, a man that ought to have known better—when we were not able to take his milk, a truck went out into the country last summer and he handed them the milk at 50 cents a hundred and sent it in to compete with us who were trying to pay him \$1.35 a hundred. Now, you know, gentlemen, it is very hard for men that are trying to carry on a business as it should be carried on, and we feel very strongly about this, gentlemen, because, after all, these good farmers that we have trained over thirty years, that have been with us, and who have brought themselves up to a high standard—they are suffering because these non-descripts come in and hand their goods away for nothing. You know it is impossible—we cannot make the river run up; and unless we can get some protection why we will have to slide with the others. It is impossible. We have a large amount of money invested in plant and equipment. My life work is there, and I want to tell you, gentlemen, I have never done anything in my life but work. I do not know how to play, which is unfortunate for me because I am looking towards the setting sun now. It is my soul. If you take me away from that dairy plant I do not know what to do with myself. These are the facts. When we have butter and cheese at the extremely low rates they are, if John Smith is sending his milk into the city and he is getting \$1.35 delivered in the city and John Jones next door to him is only getting 50 cents, he says to himself, "what is the matter with me; why cannot I get mine into the city too" with the result that there is too much stuff getting into the market and it has got into undesirable hands.

Q. I think there is a lot to what you say?—A. I feel strongly about it. I am giving it to you a little strong.

Q. What I was getting at was this. You know, Mr. Hogg, in regard to this investigation, in so far as I am concerned and so far as the committee are concerned, it is not a case of attempting to persecute you or the milk distributors?—A. You cannot do us anything but good, gentlemen.

Q. All right. Now, a certain price is being charged the consumer. You must conform to certain regulations in regard to hygiene, such as pasteurization and the like?—A. They are extremely strict.

Q. And those regulations are extremely strict. Now, if you have that down to the cost per quart, I think the consumer should realize that when they are paying so much for milk they are paying for those health regulations that are imposed and that it is not the producer or even not yourself that is imposing them. If you could get it into percentages, in most cases the consumers will grasp it, and if you put it down to quarts, showing what the consumer is buying, he will grasp the significance of the facts?—A. I may say to you, gentlemen, that our figures show that there is $2\frac{1}{2}$ per cent of the milk lost between the time we get it and it goes to the consumer. There is breakage, leakage and spillage.

Q. Now, we were at the dairy costs. What is the next cost?—A. Delivery charges 18·8 per cent.

Q. That is the highest charge of all—the most expensive in connection with the trade?—A. Yes. I might say to you, gentlemen, that this business we are doing is an old family trade, and I want to tell you, gentlemen, that competition is so keen that it is a matter of impossibility to get maximum loads on your waggon. If Mrs. Smith wants her milk there at 7 o'clock, don't you be after 7 o'clock or else somebody else is there. That is all. That is how keen competition is. We have even had some customers who had to have it within a half hour, and you must not be after a certain hour; and all these things we have got to comply with if we are going to hold our trade. And, you know, in this house to house delivery people insist that their milk is there for breakfast, and I do not need to tell you gentlemen—you know there is nothing upsets the household arrangements faster than to have a man a little on edge because he wants to get to business and the milkman is not there to give him his stuff. I think you all know that. We are just having a little fun in between now.

Q. We had evidence the other day, Mr. Hogg, that it cost 3 cents a quart to deliver a quart of milk to a one-quart family?—A. I must confess, gentlemen, that I have not got it down as far as that. I cannot get it; it is something I do not know.

By Mr. Spotton:

Q. I do not think anybody can get it down better than an average?—A. I cannot do that.

By Mr. Tummon:

Q. I would like, and I think the committee would like to have an average per quart if you can give that to us on these different items. We will give you time to try to figure it out?—A. I tell you, gentlemen, in a general way under the conditions we are working under at the present time it takes what we are getting now if we are going to do business on the plane that it has been for a number of years. I do not think any of us want to go back to the old rough and ready methods that were in force 25 or 30 years ago; I do not think we do.

Colonel MULLINS: Why? You had better milk.

Mr. TUMMON: If you could proceed along the line I have tried to direct you to.

By Mr. Bertrand:

Q. You said a moment ago that the price was fixed as per agreement made between the association and the distributors?—A. Yes.

Q. Have you got a base on which you are fixing those prices?—A. I told you that we have been doing that—at least I have for so many years. If you remember, during the war, at the time when dairy products were rising so fast and we who were in the fluid milk industry were running short of supplies for the reason that these condensing plants and those who were putting up concentrated milk were furnishing it on orders that gave them a cost plus basis—at that time there was a great outcry among the consumers that we were robbing them, and the government of the day at that time appointed a commission to investigate it, and they came to Montreal to investigate it at that time. I think—I am not saying this in any egotistical spirit—but we were the only firm at that time that could give the details they wanted. It was old Judge Robson, I think, at Winnipeg who was chairman of the commission. When we submitted our statement at that time, in looking it over he said that they were going to submit it to the government auditors, but he made the remark at that time that if the facts as we showed them were true the investigation should be on the other side. Well, we heard nothing more about it, but it was agreed that we should have a certain spread; that the farmers were getting very high prices; and in order to carry on our business and to hold our men we were allowed about the spread that you see we are running on for retail trade now, and that spread has carried on through all the years until this year. It is somewhat lower now. I do not know whether that answers your question. Let me continue. Since that time, in meeting with the producers, if the producers demanded 4 cents a gallon more and we agreed to that, it went up to the consumer 4 cents, and if they put it back we dropped it to the consumer 4 cents; but until this year our spread has been almost stationary.

Q. Consequently, I would think then that you take the possible selling price to the consumer and deduct your spread to fix the price to the producer?—A. Yes, sir; whichever way it moves the producer either gets it or it is taken from him.

Q. And you take it from the possibility of the selling price, deduct your spread, and give the balance to the producer?—A. That is what happens.

Q. Is there a possibility also that you are taking into consideration the price of milk to be manufactured into butter and cheese in fixing your prices?—A. No, we do not.

Q. You simply take it on the possibility of your sales price, less your spread?—A. Any surplus milk we get is paid for at surplus price.

Q. And since wartime you say you have been keeping about the same spread?—A. Pretty much, yes.

Q. During the war were not your expenses much higher than they are to-day?—A. No. They are, perhaps, fully higher than they were then.

Q. How do you account for that?—A. The Health Boards of the city have made increased demands. We have got to employ more help than we did at that time. We have got to have finer equipment than we had at that time, and all those things go into the cost of doing business.

By the Chairman:

Q. Is there more competition to-day?—A. In the milk business?

Q. Yes?—A. Yes, I think, perhaps, fully as much as I have ever known.

By Mr. Bertrand:

Q. Consequently, you really think to-day that the spread of 6 cents per quart as given to you for milk to be used as fluid milk is not an excessive spread?—A. No. It is not an excessive spread; no.

Q. It appears to be to the producers when they are paid about $3\frac{1}{2}$ cents for their product and they have to take the transportation charges out of that. You are getting $6\frac{1}{2}$ cents as a spread just to deliver that milk. Don't you think that that sounds funny?—A. If we got milk given to us for nothing we would still require about 6 cents a quart to carry our business on under present conditions.

By Mr. Tummon:

Q. About 6 cents per quart to deliver that milk by your waggons?—A. To the retail customers.

Q. But your general spread was how much?—A. 4-33.

By Mr. Bertrand:

Q. Now, may I ask if you have anything to suggest that could replace the present excessive delivery system?—A. Really, I have not. Since humans are constituted as they are, if you attempt to say to Mrs. Jones, "you will take your milk from such and such a man; we are not going to allow any other rigs on the street"—just that moment you run into trouble. As long as there is freedom in trade they are all right, but you attempt to tell the ladies where they are to get their milk and there will be trouble.

By Mr. Spotton:

Q. You must be a married man?—A. A long time.

By Mr. Bertrand:

Q. Do you manufacture butter?—A. In a small way.

Q. This butter is sold with your milk on the delivery waggons, is it not?—A. Yes. Any we sell is sold on the waggons.

Q. Is that charged to the distribution of milk?—A. Yes. It is all charged to the carrying on of our business.

Q. Of milk itself?—A. It is charged to the general carrying-on of the business. As I have been explaining to you, we have only been selling butter for two or three years, and that in a very small way, but we have simply to carry on our business as a whole.

Q. Would you be kind enough to supply the committee with a financial statement of the past year of your company?—A. Yes, if they want it, they can have a financial statement.

Q. Of course, I really think the committee does want it.

By Mr. Stirling:

Q. I understand that about 60 per cent of the business is to the retail trade?—A. That is right, sir.

Q. Is the milk all delivered in bottles?—A. Yes.

Q. What number of bottles have you in your business at any one time?—A. How many?

Q. Yes?—A. My gracious, I could not tell you that—thousands and thousands and thousands, and thousands and thousands through the city as well.

Q. What I am getting at is this: what do you have to set aside annually to replace losses?—A. Well, gentlemen, up until two years ago our bottle bill—I am speaking from memory, giving you approximate prices—up to within a year or two ago our bottle bill ran from \$23,000 to \$25,000 per year for glass. A year and a half ago we moved into a new plant with more modern equipment, and we have cut our bottle bill very considerably—handled on different kind of conveyors. In the old days we ran them on rollers, you know, and one case would hit the other, and something would go.

Q. Can you give us an average cost of replacement per bottle? Do you buy them by the gross?—A. No; but I can tell you our total bill for 1932 ran about \$16,000.

Q. What total number of quarts did you deliver to the retail trade?—A. We sold in quarts in 1932, 11,778,813 quarts.

By Mr. Pickel:

Q. Your company is chartered?—A. Yes.

Q. Has it a provincial charter?—A. No, dominion.

Q. How many directors have you?—A. Five.

Q. Who are they?—A. There is myself as president, Mrs. A. Trenholme, vice-president, my wife as a director, my son is a director and my nephew is a director.

Q. Is much of the stock held outside of the directors?—A. No, sir.

Q. What percentage of the stock do you hold?—A. Well, I should say roughly speaking I own 52 per cent.

Q. Do you draw a salary, Mr. Hogg?—A. I do, yes.

Q. How much?—A. Well, Mr. Chairman, I would like to ask that I should not have to declare what my salary is. That is my private affair. I think I ought to have some protection as far as that is concerned. I am willing to furnish anything that the committee ought to have, but to say that my salary should be blazened from one end of the country to the other is hardly fair. It is hardly fair. I do not think any of you gentlemen would like that. I may tell you that I am not drawing any exorbitant salary.

Q. Have you a vice-president of the company?—A. Yes, Mrs. Trenholme is vice-president.

Q. Who is the secretary?—A. James Low.

Mr. SPOTTON: Mr. Chairman, I think you should give us a ruling on that. Salaries go into overhead and the spread, and we are here for information on behalf of the citizens of Canada, and I think it is a legitimate question. I would ask for a ruling.

By Mr. Pickel:

Q. I would not insist upon an answer to that question. Mr. Hogg has given us very good evidence?—A. I might say to you, gentlemen, that if you want it privately I will give you any information you want privately.

Q. We do not want to interfere unduly with private affairs?—A. I am sure you do not.

By Mr. Spotton:

Q. You will give that to the chairman?—A. I will, yes.

By Mr. Pickel:

Q. I would rather infer from what evidence you have given us that you rather agree with the idea that an intelligent control of the supply and the distribution of milk amongst the legitimate and large companies of Montreal would result in better—would give better results to the producer?—A. Well, that would be ideal. You know, it would not come with very good grace from me to offer any direct opinion on that.

Q. But your idea is really that an intelligent co-operation between producer and distributor would be better?—A. It would move it onto a higher plane.

Q. There is no dairy in connection with your plant?—A. Yes, sir, we have a dairy.

Q. How many cows have you?—A. I think I have about 70 altogether.

Q. Mr. Hogg, if you depended upon a dairy to-day for your income and you received only the price that the producer receives, would you be running a dairy?—A. I would not have as much as would have brought me to Ottawa.

Q. What is that?—A. I will say this to you. I have a great deal of joy and delight out of it. I will say that for it.

Q. And being your own distributor, you get a profit?—A. Well, I do not know whether I do or not; but I have a lot of beautiful stuff. We all have our little weaknesses, and that is mine.

Q. Do you penalize sub-standard milk?—A. Yes, we do; but we have never been very severe on that. The figures I gave you were after the penalizing. Whatever they were they were deducted. We did pay into premiums \$14,781.76.

Q. For super-standard milk?—A. Yes.

Q. Buttermilk?—A. Yes, sir.

Q. What do you get for that?—A. We are getting 8 cents a quart.

Q. Do you manufacture all your own buttermilk?—A. All of it; I do not import any—none whatever.

Q. Does the farmer receive any compensation for buttermilk?—A. No. We make our buttermilk out of whole milk.

By the Chairman:

Q. Out of surplus milk?—A. No, sir; not surplus milk. Let that be understood. We play the game. There is no surplus milk goes into buttermilk.

By Mr. Pickel:

Q. What is the cost of your buttermilk, approximately?—A. I tell you, gentlemen, our buttermilk is made out of milk testing 2 per cent. That is what it is made from.

Q. That is, you reduce the milk to that?—A. Yes, to 2 per cent.

Q. And what is the charge for buttermilk—you said 8 cents?—A. Yes. That is for retail buttermilk.

Q. Do you manufacture ice-cream?—A. Well, we have another company that manufactures ice-cream.

Q. A subsidiary company?—A. Yes.

Q. Now, Mr. Hogg, you make the statement that you are delivering your milk under five heads for whole milk distribution. There is the retail?—A. Retail, stores, charity, restaurants and manufacturers.

Q. Now, what about charity milk? Why do you charge more for charity milk than for restaurant milk?—A. Because it is delivered by our regular retail waggons to the homes of the people through charitable organizations.

Q. Twenty-five per cent of your milk is sold for manufacturing purposes?—A. It is, yes.

Q. What for? What is that milk made into?—A. There is a large quantity made into chocolate bars—a very large quantity. Then there is a large quantity used in the ice-cream manufacturing business.

By the Chairman:

Q. Is that all pasteurized?—A. All pasteurized, yes.

By Mr. Pickel:

Q. What was the price of that?—A. Well, you see, we give it about—one store 1.33 cents a quart, and then down, and in December we got less than three-quarters of a cent a quart.

Q. That is the spread?—A. The spread.

Q. What is the amount of your income tax?—A. Well, gentlemen, you have to get that from the Income Tax office.

Q. They won't give it to us?—A. They won't give it to you?

By the Chairman:

Q. I think Mr. Pickel asked his questions in regard to your salary because of a suspicion that some of the profits might be absorbed in salary to yourself and the other officials. Would you state that you are not covering up any profits in that way?—A. Quite positively, sir. We are not covering up any profits in salaries. I think I can satisfy any fair mind on the salary question.

Q. Would it not be wise for you to get that information regarding yourself and the other directors, how much time they are devoting to the company, and while we might not publish it in the report, it would be information for the committee to know and understand?—A. I would be glad to give that to you.

Q. Now, Mr. Hogg, may I ask you a question or two. You deliver a considerable amount of sweet cream?—A. Yes, we do.

Q. And it is delivered from your waggons, as you retail milk?—A. A lot of it is.

Q. I suppose you also deliver buttermilk from these waggons?—A. Yes.

Q. And some butter?—A. And some butter.

Q. Well, now, you say that your delivery charges on milk are approximately 18 per cent of the spread?—A. No, I said I was giving you the percentage on our operations as a whole. I did not just give that on milk, I haven't got it on milk, because we have not segregated it.

Q. You have not segregated your delivery charges on the different items?—A. No, just on the whole business.

Q. On the other hand, you are not charging the total cost of delivery up to fluid milk alone?—A. No, I am charging the cost up to the whole business.

Q. I see. You don't separate nearly enough surplus milk to provide you with sufficient sweet cream for the trade?—A. No, we buy that.

Q. Where do you get your sweet cream?—A. Oh, from the various sections, you know.

Q. Do you buy from farmers?—A. Do we buy from farmers, yes.

Q. Have you the same regulations and sanitary requirements for your sweet cream as you have for milk?—A. Oh, yes.

Q. The sanitary regulations and requirements on the two are the same?—A. Yes.

Q. So you buy no sweet cream from farmers except those with inspected stables?—A. Yes, for sweet cream, yes.

By Mr. Mullin:

Q. In the old days you bought cows?—A. I did, yes.

Q. At Point St. Charles and Hochelaga?—A. I did, I didn't know you knew me.

Q. I want you to tell the committee, is the milk Montreal is getting to-day any better than it was in those old days; is it just as good?—A. In my opinion it is very much safer.

Q. It is what?—A. Very much safer. In the old days we had epidemics of milk borne diseases that we know nothing about to-day.

Q. Coming from a good healthy cow?—A. Well, it is not the healthy cow that affects the milk. I have one case in mind where they had scarlet fever on a farm, and do you know that that spread through the milk route that I speak of with tremendous rapidity. I can remember how frightened I was myself at that time when I knew about it. I knew of another case, and very likely you knew of that too—that was the Tates of St. Laurent; do you remember the place? They were over at the back of the mountain. That is now long ago—well, those people were looked on as having one of the finest milk routes in Montreal—I well remember the day, when they had an epidemic of typhoid fever that ran through that line of customers. Well, there were some parents in

Montreal that were ready to shoot him, they lost their children, and one family an only son. The names of those people were synonymous with a fine product and in less than a week they were out of business. I tell you, gentlemen, that if we haven't the protection of pasteurized milk I would not want to be in the dairy industry.

Q. Well, I heard a professor in the Fort Gary hotel in Winnipeg—I want to mention that—A. I am mighty glad to hear it.

Q. He mentioned to that organization, I do not recollect whether you were there or not, that they had fed three calves out at the agricultural college, and the three calves died from pasteurized milk?—A. Well, I want to tell you that if you will come down to Montreal with me I will not show you three but I will show you forty of the nicest young heifers you ever looked at that were fed on pasteurized milk, and they grow like smoke on it.

Q. From my own personal experience with pasteurized milk, and I have quite a lot to do with it, I have fed it to calves and the calves bloat and we had to tap them; and I don't know about your statement right there; I challenge that statement?—A. Well, you come with me and I will show you.

Q. Just a moment, you may do that, but with all the machinery that this milk is being put through I can't get the idea that it is as good as the old milk that came from the old cows?—A. Here is a product that is raised on it (referring to Mr. Motherwell).

Q. We ought to have the old cow's milk?—A. I am one who was raised on it myself.

Q. I know, well, is there anything wrong with you and I?—A. No.

Q. Then, that is all the evidence we want?—A. We were bred properly and we can stand a lot.

Q. You make buttermilk?—A. Yes, we do.

Q. What do you put in it?—A. We add buttermilk to it.

Q. I know, but what kind of a culture do you use?—A. We use buttermilk.

Q. Do you use no culture at all?—A. No, we just carry on the buttermilk. If you will allow me I will just read to you what I read before:—

Buttermilk.—Our old fashioned churned buttermilk is made according to the standard methods taught in every dairy school in Canada and United States.

Fresh, nearly whole milk is pasteurized, fresh buttermilk is added to the milk, which is allowed to sour.

The soured milk is churned till it has the right consistency and cooled to 38°F. All the butter is left in the buttermilk.

Buttermilk, produced in this manner, is much superior to the small churn buttermilk in that it is controlled from a sanitary standpoint, uniform in quality all the year through, richer in butterfat and does not whey off because it is not churned to the extreme.

It is not a by-product but a real dairy product.

Q. There were witnesses here yesterday who told us that they cultured it, that they put some kind of a bug in it?—A. Some kind of a what?

Q. Some kind of a medical bug?—A. A bug?

Q. Yes, a bug?—A. Well, we don't deal in bugs.

Q. Yours must be an exceptional dairy. I thank you for the information.

By Mr. Tummon.

Q. Mr. Chairman, in regard to the question of pasteurization, it is very interesting, but it does seem to me that that is not the question which we have to deal with because if we are to undertake to decide the merits or demerits of pasteurization I think we could bring a lot of witnesses here on one side and just as many on the other. After all is said and done it is not the committee but the

province or the municipality which has the right to make regulations and to prescribe how milk is to be distributed in the different centres, and the distributors must comply with that. We have no control whatsoever.

Now, Mr. Chairman, may I ask a few questions, just a few more, and then I am through for the day as far as I am concerned. In regard to the distribution of milk how would you prefer that milk should be distributed to the consumer?—A. Would you repeat that, Mr. Tummon?

Q. Would you care to give an opinion as to the most suitable manner in which milk should be distributed to the consumer; that is, through stores, or is it more satisfactory delivered from the waggon to the consumer's door?—

A. Well, it seems to me, Mr. Tummon, of course this may look a little bit—my judgment may be perhaps somewhat biased, but I only draw to your attention because—you take our waggons leaving our place, say, 3.30 in the morning and by 7 o'clock everybody's milk is at their doorstep whereas if it has got to stand around stores all day they can't surely get just as good a product as they would get if it is delivered as quickly as the modern dairy does it. Does that answer your question?

Q. That confirms pretty much the evidence that was given us by Dr. Hood here the other day?—A. I did not hear it.

Q. Now, then, there is another point in regard to the distribution of milk, the distribution of milk is probably one of the largest items in the spread between the producer and the consumer?—A. It is, yes.

Q. Now then, if a great deal of that milk is delivered through chain stores, or through retail stores, does not the cost of distribution—keeping your rigs on the road and your routes going, and your automobiles, whatever you have—does not that increase the cost of distribution to you?—A. Very much, Mr. Tummon, very much. A large part of our cost is in service to the public.

Q. Yes. Now then, we are interested as I said before in the spread between the producer and the consumer. Can you give the committee any suggestions as to how the spread between the producer and the consumer might be reduced?—A. I have some ideas, but in a practical way you know as long as we live in a democratic country such as we are in at the present time, you meet every kind of people, and you know the way we humans do. I might be delivering milk to you and satisfying you, but Mr. Motherwell here might not want to deal with me at all. Then you know if you both lived on the same street and if Mr. Motherwell had to deal with me because I was serving you, well, there would be something doing about it.

Q. Now then, do you think that you could reduce the cost of the distribution of milk in Montreal if the pasteurization plants did all the distributing?—A. If the what?

Q. If the pasteurization plants did all the distributing. As I understand it there are about 410 dealers in the city of Montreal—people who come in and get licences and then come to you and buy your product and go out and peddle it. Supposing that those who pasteurized were to distribute—A. They can't come to us and buy our product and go out and peddle it.

Q. You don't do that?—A. No, we won't do that; we won't supply small dealers.

By Mr. Gobeil:

Q. They go and buy somewhere else?—A. Yes.

Q. But you must compete with them?—A. Yes.

By Mr. Blair:

Q. In the city of Ottawa here the newspapers co-operate and one distributor looks after all the newspapers in the city?—A. I don't just get that.

Q. In the city of Ottawa the different newspapers co-operate and one distributor looks after the distribution of all the papers. I often wonder could

your men instead of having four or five carts chasing one another up and down the street, could you not co-operate and the same distributor distribute the various grades of milk from the various companies according to the wishes of the people?—A. I tell you, sir, that if you can point out to us a man that could bring that about his fortune would be made.

Q. It would help the farmer?—A. Yes, but how would they bring it about. You could not get the people to agree.

By the Chairman:

Q. You could not get the dairies to agree?—A. Eh?

Q. Do you mean the dairies?—A. But the people themselves would not have it.

Q. The consumers you mean?—A. The consumers would not have it.

By Mr. Blair:

Q. The consumer could ask for whatever milk he wished from the same waggons; the product of the different companies would be in the same waggon?—A. I must confess that it is beyond me. I cannot tell you.

By Mr. Pickel:

Q. What is the total amount of milk that you receive per year?—A. I haven't got it, I am sorry to say.

Q. Mr. Hogg, do you sell to the chain stores at all?—A. We do, yes.

Q. What price do you receive from them?—A. Seven cents a quart.

Q. Seven cents?—A. And they sell it at eight. I must say, gentlemen, in talking about the chain stores, we have always tried to have the chain stores selling at our price until this year, but there was one chain store that started making a leader out of milk and that demoralized the market pretty badly. The other chain stores, of which we serve one, came to us and they said: "We are suffering, these people are using this milk as a leader and they are taking people into their stores and selling them other goods, we must get cheaper milk." Well, I do not need to tell you gentlemen that the chain store business has become a great factor in business now, and we could not afford—first of all we said that we would not allow our milk to be sold in the stores for less than we were selling ourselves. Well, they said: "We have to get it even if we have to put in a plant of our own." Now, I consulted with some friends of mine who were over the line who had had a great deal of experience in that way, and they told us that we could not afford to fight with the chain stores; and very much against our will we finally had to agree to allow them to sell. They wanted milk that they might sell at 7 cents and compete with this other store. We said: "We will not give our milk to be sold at 7 cents." We have since agreed with them that we would sell it to them at 7 cents, they would sell it at 8, and we would reduce our price to nine, so that our loads should not slip from the waggons. That is the whole story, and that has been going on since the 1st of March, I think it is.

Q. You mentioned, Mr. Hogg, that one of these chain stores was using milk as a leader. What do you mean by that, what is the significance of the term?—A. Well, they were selling milk and cream at a very low price, and that had a tendency to bring people into their stores and they bought other stuff you know.

Q. That is, for advertising purposes?—A. Well, that is my opinion, yes.

Q. Your surplus milk is churned?—A. All of it.

By Mr. Wilson:

Q. What we are trying to get at here is the difference between the price paid the producer and that paid the consumer. As regards your drivers of waggons, are they bonded?—A. Well yes, they are bonded.

Q. Are they responsible say, for the milk tickets?—A. Yes, they are.

Q. And you pay a fair wage to them, I suppose?—A. Our men, sir, they get \$20 a week, and four per cent on their sales, and speaking from memory—and I think I am about right, their average wage runs about \$33 a week.

Q. Well, from your statement here about not having enough money.—A. I did not say I did not have enough money to get here—

Q. If you were getting only the profit the producer was getting to-day, you would not have had much to get here on.—A. What is that?

Q. If you only had as much money as the producers are getting, you would not have had much to get here on to-day.—A. You see, the trouble is, mine is long distance management—now, do you see?

Q. I see.—A. In the old days I was the first man in the stable in the morning, and I didn't run from it any, but now it is very often Sunday afternoon when I see them.

Q. Well, it was suggested I believe in Manitoba, where they have milk as a public utility, which is managed by a milk control board—would such a board do anything to assist the producer in getting a better price than he is getting to-day?—A. I tell you gentlemen, you are drawing opinions from me all the time, you know.

Q. That is what we want?—A. My opinion is that we have too much government in business. Now, that is my opinion; but I do think that if the farmers themselves would cooperate—

Q. I agree with you.—A. If they would co-operate, they could lift themselves up out of the slough.

Q. In other words, if the farmers formed an association and would stick?—A. Exactly.

Q. You are exactly right.—A. But the difficulty has been at least through my experience, that you might get three or four to get together, but John Smith was not in, and he says, "I will get back at you fellows, I'll sell my stuff cheaper."

Q. Yes, another one of your difficulties is bootleg milk. That is what has been hurting yourself and others who are in an honest business. Do you have to compete with bootleg milk to any great extent?—A. We have to compete with milk that comes in away below the association price, and I do not need to tell you gentlemen that we have suffered during this period because you know that people at the moment are lower-priced minded, if you know what that means; they all want something for less. Now, all we want to do, what we would like to do, would be to stand to the back of our farmers and move them up so that they can live properly and do things as they ought to do, but the difficulty is to do that.

By Mr. Spotton:

Q. Would not a little less spread help them?—A. Let me say this, as I told you before, I have been a long time in the business, I have seen milk dealers come and go in my time, in hundreds, and I want to tell you gentlemen that no man stays in business who does things that are unsound. There is only one thing to do now, only one way in which we can make our money if we are to make it, and that is in volume.

By Hon. Mr. Motherwell:

Q. May I ask Mr. Hogg if his plant is running to full capacity as a rule?—A. It is not Mr. Motherwell. I want to say to you that we have what we consider is the finest plant in Canada, and we went into it—I do not say this in an egotistical way, I have one whose opinion I value very highly, who has paid us that compliment—and we built that with the idea that there would be

a good increase in trade, but instead of that we got into it when things were beginning to slip. I don't mean to say we are bankrupt; but to say that we are working to capacity—we are not working to half capacity.

Q. Well, then, if you had a larger turnover of milk, you could do better by both your patrons, and possibly your own company?—A. Surely we could.

Q. Then, am I to conclude that the milk distributing business in Montreal is overdone very much the same as the milk deliveries from the farms is overdone?—A. Well, you see Mr. Motherwell, in times when there are so many people out of employment, this is what happens. A man is out of a job and the first thing you know he will get an old truck, or he will get a wagon, and he will get a licence for it, and he will go to one of these milk pasteurizing plants and he will buy milk from them and sell it for anything he can get. Anything he can get over and above cost is money for him, isn't it? Well, that is what is going on.

Q. Is the consumptive capacity of your patrons keeping up to the average?—A. Well, one of the difficulties is that we have such vast quantities of people on relief at the present time—that is where the difficulty is, and there is a lot of people that are not able to buy the quantities of milk that they did when times were good.

Q. I think you said a moment ago that there was too much milk coming at present on the Montreal market?—A. Yes.

Q. Well, that is pretty much the same with all farm commodities.—A. I think so.

Q. However, that may be, there are, I think, too many distributors to-day in the milk business?—A. That does not only apply to milk.

Q. To have a fair turnover and make a fair profit and do justice to their consumers at both ends; and your justification for doing that is that there are so many people out of work and you have got to give them something to do?—A. Exactly.

Q. In other words, if you could double your business, you could keep up the quality of your milk and still give more to the farmers, couldn't you?—A. Surely.

Q. Then, how are you going to double your business except by reducing the number of people engaged in it?—A. You have got far more capacity than I have. If you would give me the secret, I will try to work it out.

Q. I haven't got it, because we have the same difficulty in every branch of agriculture.—A. Sure, we have. I tell you gentlemen all we can do is to be patient and wait until the storm passes.

By Mr. Spotton:

Q. I wish to read to the witness a statement made by Rev. Father Lebel in his evidence before the committee, and ask him a question—

The CHAIRMAN: What page is that please, Mr. Spotton?

Mr. SPOTTON: Page 73. I want to ask the witness to explain it, and also ask him what he would propose to do to regulate this particular end of it. "This year—I quote here from the Milk Plant Commentary of New York, I think; it is an American magazine:

In January of this year in the whole state of Massachusetts, in the cities of Boston, Chelsea, Lawrence, Lowell, Lynn, and Springfield, the retail price of the quart of milk was eleven cents, the same as it was in Montreal during January. Now, the prices paid to the producers during that month; the fixed price was \$2.74 to the 100 pounds, and during the same month in Montreal the fixed price was \$1.60."—A. What did they get for the milk?

Q. \$2.74 per hundred pounds: . . "during the same month in Montreal the fixed price was \$1.60. You know there is \$1.14 difference between these cities of Massachusetts and the city of Montreal. I think that the spread is a little too

much. If we take New York, New York in January, the retail price was 11 cents as in Montreal, and the price paid to the producers was \$2.45; a good lot, 85 cents more than we were paid here." Now, my question is: how would you explain that, and why you cannot do business to net the producer the same as across the line; and so as I will not have to get on my feet again, I would ask the chairman if he would consider bringing over some expert from that district to give us information as to how they conduct their business in that state. They sell to the consumer the same as you do in Montreal, and they paid the producers during many months \$1.14 more. That might be our salvation; that might be our way out? —A. Well, one thing that occurs to me to begin with: when we paid \$1.60 and you say they paid \$2.74, they get 8 quarts per hundred pounds more milk than we get out of it. We get 38 quarts out of one hundred pounds and they get 46 out of 100 pounds. If they get 11 cents, you would have to add 88 cents on to our price to bring it up. They sell a 32 ounce quart and we sell a 41, I think it is.

Q. You get thirty-eight?—A. Yes.

Q. And a half?—A. They sell 32 and we sell 41½ ounces.

Q. Give us the quarts per 100 pounds?—A. We get 38¾ quarts per 100 pounds; they get 46 and a fraction—I am only speaking from memory—per 100 pounds.

Q. That is a smaller percentage of spread. That helps to explain it, but only in part. Do you know anything about their system?—A. Yes. It is the very same as our own. I will say this, they have a denser population than we have, but they have not the climatic conditions to contend with as we have them in the City of Montreal. Their country is practically level, and ours is a hilly city.

Q. That is the only explanation you can give as to the difference between Montreal and there?—A. I am just giving you what is in my mind; but that is part of the explanation.

The CHAIRMAN: So far as calling witnesses from the other side is concerned, Mr. Spotton, that will of course be in the hands of the Committee, and it will be competent for you, if you desire to do so, to make that motion at any time in the Committee.

Mr. SPOTTON: It is just a suggestion to think over perhaps until our next meeting.

The WITNESS: Would you allow me to say to you, sir, that the province of Quebec last summer were very much exercised about just what you are exercised about at the present time. They brought over to Quebec Dr. Bond, a professor at Cornell university, who made a very exhaustive study of the whole question as far as Montreal, Three Rivers and Quebec markets were concerned, and his report is on file. That fully sustains our position, as far as Montreal is concerned.

The CHAIRMAN: It might be possible, at a later date, to call Dr. Bond himself.

The WITNESS: What is that?

The CHAIRMAN: It might be possible for the committee, if they so desire, to call Dr. Bond at a later date.

The WITNESS: Yes.

By Mr. Porteous:

Q. You made a statement in connection with the volume of business done by your company last year; would you say that the consumption of milk in Montreal had decreased or increased recently?—A. Well, as far as we are concerned, it has decreased.

Q. No, I mean the total consumption?—A. Well, I don't—I would only have to make a guess at it. My guess would be just as good as anybody else's. But we know, as a matter of fact that the Montreal public have not the pur-

chasing power at the moment. Do you know that in our city we are spending—the statement was made in the other night's paper that we are spending \$1,200,000 a month on relief. That is how serious the situation is.

Q. Well, in the last ten or fifteen years, due to sanitary regulations, pasteurization of milk, what would your opinion be as to the consumption of milk; what effect has that had?—A. Until this great depression came on us, it had been growing steadily year by year.

Q. That was due to health regulations, you would say?—A. Health regulations, yes.

Q. Now, there was another question I would like to ask; you say you pay a premium of 3 cents per 100 pounds for fat?—A. One-tenth of a point of butter fat.

Q. Butter fat test, in the province of Ontario; and I suppose you get some of your supplies out of Ontario?—A. Yes, we draw some from eastern Ontario.

Q. There are certain regulations of the department there in connection with paying on a butter fat basis; I suppose you know that?—A. Well, so I believe, but they don't apply in Quebec.

Q. Do they apply to the producers who supply milk to Quebec?—A. No, they don't.

The CHAIRMAN: You mean producers in Ontario who supply to Montreal.

Mr. PORTEOUS: Yes.

Q. They don't apply?—A. They don't apply to Quebec.

Q. Unless it is the same in Ontario?—A. Of course, we buy in Montreal, and Montreal requires that.

Q. Just one other question with regard to buttermilk. You made the statement that you churned the whole milk.—A. Milk testing 2 per cent.

Q. Testing 2 per cent?—A. Yes.

Q. You churn it?—A. We churn it.

Q. And the butter fat—A. Is left right in.

Q. Remains in the buttermilk?—A. Yes. We call it old fashioned churned buttermilk.

Q. When you churn it, the butter is in there in globules?—A. Don't you know that we have always had a demand, people saying: "Why can't I get buttermilk like I used to get when I was a boy, with the bits of butter in it?" Now, when you churn it in this way, you have the butter granules that the people like to get.

Q. You just leave them right in there?—A. Oh, leave it right there.

By Mr. Mullins:

Q. Do you send any of it up to Ottawa?—A. I beg your pardon?

Q. Do you send any to Ottawa?—A. No, not at all.

Q. I thought not.—A. After the reputation we got the other day, I didn't think you would want it.

By Mr. Boyes:

Q. You mentioned some time ago that you were paying 3 cents premium on milk which tested over 3·5 per cent of butter fat?—A. Yes.

Q. And that your average was 3·7?—A. Yes.

Q. That is 3·7 per cent butter fat?—A. Almost 3·7, I said.

Q. Are you permitted in Montreal to reduce that to 3·5?—A. No.

Q. Or do you deliver as it is?—A. There must be nothing added and nothing taken from.

Q. So that you deliver at 3·7?—A. Just as we get it, yes.

By the Chairman:

Q. Mr. Hogg, may I ask a question; you made a suggestion a short time ago that if the producers' association embraced 100 per cent of the farmers who were producing milk, that they could dispose of their milk to better advantage? —A. Surely, they could.

Q. Well, there is too much milk, of course, being produced in the Montreal district to be sold as fluid milk; then it would result in a system of pooling, would it not?—A. A What?

Q. It would result then in a system of pooling, or what would you suggest? —A. Well, there would have to be centralizers in different sections of the country where the surplus milk would go to, and the whole milk that was required for the fluid milk market would be into Montreal.

Q. At the present time then, the producers' association which meets with you quite regularly to set prices, has very little power to influence the price in any way?—A. That is the unfortunate part.

Q. The distributors really set the price regardless of what the producers may say or may not say?—A. No, I can't admit that. You know, gentlemen, when you sit in that meeting, if you are a fair man you have got to try to be fair. Now, we realize at the present time that the farmers are getting a great deal less for their product than they are entitled to. There is no man that has more sympathy with them than I have, but we cannot make water run uphill; and we have tried, as I explained to you, the big dealers, to set a standard for the others to live up to. I will tell you, gentlemen, when you have these meetings we will have a whole room full of people that sit in there, but they go out after the thing is all settled and they don't all do as they practically agreed they would do.

Q. You deny the allegation that we hear on the street that the price to the consumer as well as the producer is fixed by the four large companies?—A. I would, most definitely.

By Mr. Spotton:

Q. Mr. Hogg, I would like if you would follow up a little further these subsidiary ice cream companies, no doubt controlled by the witness, how much of his product goes to it and at what price, and if he has any other subsidiary companies? You know, it is a customary thing for capitalists to have a subsidiary company where a great deal of the profits slip away, you know, and there is the reason. I would like to know if there are any other subsidiary companies, and give us any other information he likes about his ice cream plant which he no doubt controls.—A. Well, gentlemen, our product goes into the ice cream plant on a competitive basis. It stands right on its own legs. I have no other subsidiary, and I am very far from being a capitalist. I am a milk man; but there is nothing that I have that will not stand the strictest investigation. In fact, I have the ice cream department complaining to me that I am charging them more than they could get it elsewhere for, and sometimes I have had to confess that my leanings were to my first love, and I took care of the milk company first. But there is nothing in that. There is no loophole—gentlemen, I would like you to believe me—that won't stand the light of day.

By the Chairman:

Q. Another question, Mr. Hogg; it is just to clear up the statements that are made from time to time. I am not making any allegations— —A. Well, if you have any that you think you ought to make, let us clear them up. I am willing to.

Q. Very well. You give certain services to the public, to the consuming public in Montreal; part of it, of course, is pasteurization, part of it is delivery

of milk and these special services of delivery of milk say in the middle of the day, or when your rigs are not going on their regular routes, which costs extra money?—A. We have a special delivery fleet for service, yes.

Q. Pasteurization costs extra money?—A. Yes.

Q. And it is done for the convenience and the benefit of the consumer?—A. And the protection of mankind.

Q. There is a general impression among the producers that the farmer or the producers themselves pay for these services, or at least they get less than they would otherwise get, if those services were not required; is that correct?—A. Well, my experience, Mr. Chairman, is that since pasteurization has come into vogue, until this last year the farmers have received very much better prices and been much better treated than in the old days when there were none of these things done. That is my experience.

Q. You think then, that they have not been?—A. And since pasteurization has come into the community, it has had the tendency to increase consumption; because any of you men who know farm life, know that in the old days we used to get milk with various flavours in it. A lot of it would have, if you smelled it, you know, a strong ensilage smell from it. Trade used to come in at one door and it slipped out at the other door, because people did not like the milk. Now we have a uniformly flavoured milk and a satisfied public.

Q. Then you say the cost of pasteurization and the cost of special services, delivery and the rest of it, is borne by the consumer and not the producer?—A. Well, Mr. Chairman, would you let me ask you this? Do you know anything that is either grown or made that goes to the consumer, that he has not got to pay for it?

Q. That the consumer does not pay for it, you mean?—A. That the consumer does not pay for in the end.

Q. Somebody pays for it, of course, but that is the question I am asking: is it deducted from the producers in this case and from the price to the producer or is it added to the price to the consumer?—A. Well, Mr. Chairman, all we have got to sell is milk and cream and butter, and it is out of that product—

Mr. SPOTTON: Ice cream.

The WITNESS: —that we have got to get the wherewithal to pay the farmer and pay our debts, and keep out of the bankrupt court.

By Mr. Taylor:

Q. Is it your opinion that the price of fluid milk to the city of Montreal is affected in any way by the price of milk going into cheese and butter?—A. Is it affected

Q. Yes?—A. Well, there is no doubt it is, because then you have a good healthy market for butter and cheese and the prices are running pretty nearly the same all the time. Now we have a happy time and the farmers have a happy time, and when you get it with the cheese and butter markets down in the valley, and the stuff trying to get a better price and shove in on our market, what can we do?

Hon. Mr. MOTHERWELL: A glut, a complete glut.

By Mr. Pickel:

Q. What was the date of compulsory pasteurization in Montreal?—A. Oh, I would have to send you that, I don't remember; but some five or six years. Perhaps you have it here.

Mr. GOBEIL: In 1925.

By Mr. Pickel:

Q. I have the bulletin here issued by the agricultural statistical department, which is the source of these details. In 1925 the producer was receiving 21 cents?—A. Yes.

Q. Now, he is receiving 16 cents?—A. Will you tell us what butter was selling for then?

Q. I don't know. This is milk.—A. Yes.

Q. I want to know why the producer is penalized, why he is receiving 4 or 5 cents less?—A. Because we can't get any more for it, that is the trouble.

Q. Then evidently you are selling for about the same price?—A. No, we are not. You see, I have got to talk from memory, but at that time that we were paying 21 cents, dairy products were pretty high, and I would not be surprised in 1925 if you saw that butter was 40 cents a pound. Mr. Motherwell would remember that better than I because he was in the—

Hon. Mr. MOTHERWELL: In 1925 it was 40 cents.

The WITNESS: Yes, that is what my memory would tell me.

By Mr. Loucks:

Q. What was the consumer paying at that time for a quart of milk?—A. Well, I think it was about 14 cents at that time.

By Mr. Lucas:

Q. What percentage of the fluid milk you receive is sold in the way of sweet cream to the consumer?—A. Well, you see of the separated milk we have there 11.9 per cent. That is all we separated. But we separated more than that, because all the returns that come off our wagons daily is all separated. It never goes out again. It is brought out and it is all dumped and it is all separated.

Q. What do you do with the separated milk?—A. Well, we just do the best we can with it. The less questions, the better.

Q. What I would like to know is, is there any market for it?—A. No.

By Hon. Mr. Motherwell:

Q. Goes into the sewer, does it? Does it go into the sewer?—A. I will tell you, gentlemen, we did hand it over to a fellow that was to make some kind of cement of it, and we are still waiting for the small price he was to give us.

By Mr. Stirling:

Q. Mr. Hogg, some days ago the price to the consumer was dropped from 10 cents to 9, was it not?—A. Yes.

Q. Do you remember what day that was?—A. I think it was on the first of March.

Q. The first of March?—A. Yes, I think so.

Q. What brought that drop about?—A. Well, I think I explained that. That was brought about through chain store competition. There was one chain store that was selling milk for seven cents. The three big chains who did not want to do that, or to use milk as a leader, they finally came to us and they said, "We can't stand this. These other firms are using this as a leader, and they are getting the people into their stores, and they are selling them other goods, and we are losing sales. We have got to do something." They wanted us to give them milk they could sell at seven cents. We says, "We will not do it." Well, afterwards they let us know that they were negotiating for a plant and were going to put their own milk in, and in consultation with some of my friends from across the border who have had a great deal of experience along that line, they advised me that it was not wise for us to get into conflict with the chain stores, and have them cut into the business. So for that reason we met them again and we finally agreed that we would allow them to sell milk at 8 cents. That was one cent over and above the other stores; and in view of that, in order to keep our tonnage on our wagons, we would have to reduce ours to 9 cents. That was the cause of it.

Q. That was an arrangement that you came to with one chain store?—
A. Well, there were three chain stores.

Q. Well, three chain stores. Did you meet the distributors, the 400 distributors?—A. What is that?

Q. Did you meet with the 400 distributors or any of them?—A. No, we did not meet with any of them.

Q. So that when you said you would drop to 9 cents, all the other distributors dropped to 9 too?—A. Sure, that is what happened.

By Mr. Brown:

Q. That of course means that the farmer gets less, you are not able to pay as much to the farmer?—A. What is that?

Q. That is, if you had not had to make that arrangement with the chain stores, you would have been able to pay more to the farmers than you are now?—A. I don't know that we would. We have just had to take conditions as they are, and try and keep our tonnage on our wagons, and live out the storm.

Q. Yes, I realize that; but the fact that you say you had to reduce the price delivered from the wagons to 9 cents—A. Yes.

Q.—of course, of a necessity, cut down your profit?—A. Surely it did.

Q. And that means that ultimately the farmer is paying for this action of the chain stores?—A. He is ultimately what?

Q. Ultimately it is taken out of the price that the farmer receives?—A. No, we have not taken it out of the farmer at all.

Q. No; but if that condition continues, it will not be possible for you to pay as much to the farmer as you otherwise could?—A. That is practically right.

Q. Yes; that is the point we want to get at. All this business of the chain stores has been reflected in a lower price to the farmer, ultimately.—A. Ultimately.

By Mr. Pickel:

Q. What is the capitalization of your company?—A. Our company was, shall I say, reincorporated in 1920. Before that time, we had been operating with a provincial charter under a very low capitalization, and our needs were becoming greater. In 1920 we secured a Dominion charter, and issued \$500,000 worth of bonds, and 75,000 shares of no par, common stock.

Q. It is the same to-day?—A. Well gentlemen, I tell you that I suppose I have to give this information, so I might just as well hand it to you. We have an investment in our business; that is, all the money that has gone into it, of \$1,975,556.86. That is the amount of money that has been put into our business. We have never paid any dividends on our common—at least, nothing on this company. In the old days we kind of treated it is a co-partnership company. If we needed some funds, and we have it, we took it, but since that time there has never been any dividends. Our costs have been growing all the time, and I, of course, had a desire that some day before I quit, I would like to give to my city one of the best dairy institutions to be constructed. I worked with that end in view, and this is what has become of the large part of the expenditures we have made. It has all been out of earnings that have grown up through the years. We have run it just as carefully as it was possible for us to run it. I have given it all my attention. I have never done anything else but attend to business, and this is the growth of 48 years of effort.

By Mr. Carmichael:

Q. Have you a yearly audit made of your business?—A. Oh yes, we have to have that.

Q. By a firm of chartered accountants?—A. Oh my, yes.

Mr. CARMICHAEL: Mr. Chairman, should we not have that financial statement submitted to us from the company?

The CHAIRMAN: I think he has promised to do that.

The WITNESS: So I will, yes.

By the Chairman:

Q. You do not have any contract with your producer?—A. No.

Q. Would it be possible to help the situation, if you had regular contracts such as they have had in parts of Ontario where the producer is required to furnish a given number of cans of milk daily the year round?—A. In the old days, we used to have contracts, but they never worked out. You cannot take from a farmer what he has not got. You come into the fall of the year when the cattle are perhaps out and in and you run into a cold spell when a producer may come down two or three cans in a day or two. Well, if you spread that over hundreds of shippers, you have got a terrific shortage of milk.

By Mr. Brown:

Q. What would be the fluctuation in the demand during the year? Could you give us any figures that would indicate that?—A. Well, I cannot give you percentages, but you know if you take in the big cities the habit is increasing more and more for people to be out of the city during the summer weather, and since the days of the automobile, and the automobile has become so much used, you take our city on a Sunday, why, it is empty, don't you know. Our business just falls away. In the old days, Sunday used to be a very excellent day. You have quite a sale of milk as well as cream, but it is all disappeared.

Q. They probably take to other drinks on Sunday?—A. No, I think they get it where milk is produced; they get it unpasteurized.

Q. I just want to ask you your opinion on the general statement on which we had a little discussion a while ago. You have been a farmer?—A. I am, still.

Q. That sum of \$2,000,000—A. You must not judge a man by his clothes.

Q. That \$2,000,000 investment takes you out of our class. You would agree, with your experience as a farmer, and with your experience in the milk business, that it is always up to the farmer to take what is left after everybody is paid.—A. Well, I tell you gentlemen, I spent sixteen of the best years of my life on the farm. I want to tell you gentlemen that I got more fun in one week in those days than I would get in a year in the city. I have worked hard, but there was a pleasure in seeing stuff grow under your hands; and it was in the summer time when my day's work was over my wife told me I was heading for the farm, the open air. How I like to get around to the green fields; there is great joy there that is to be found nowhere else. Let me tell you I do not know a happier body of men on God's green earth than farmers. I gave you the figures of what we have invested in our plant. Do you know what it means to me? It is working like the Devil all the time, and trying to get enough in in order to pay my taxes and pay the liabilities as they come due and so forth. The wealth is more apparent than real. You know we have had a lovely time; I am glad to talk to you fellows.

By Mr. Loucks:

Q. Do you think it would have been much better if you had given the farmer the one per cent reduction instead of giving it to the chain stores?—A. By God, we could not hold our trade. We did not want to give it to the chain stores or anybody else. We want to keep it.

By Mr. Stirling:

Q. What is the cost of your plant—A. Well gentlemen, those figures that I gave you is the cost of all that we have; that is all.

Q. What proportion of it is machinery, and what proportion buildings?—
A. I cannot give you that offhand, but it all runs into big amounts of money. You know, if you build a modern dairy plant, it has to be like a ship, if you do not you are only buying yourself trouble.

By Hon. Mr. Motherwell:

Q. How much more could your company and other companies in Montreal charge the consumers for their milk, thereby permitting a higher price being paid to the farmer without interfering with and reducing the consumption of milk?—A. How much?

Q. How much more could you charge your customers for milk?—A. How much more?

Q. Yes; without reducing the consumption of milk.—A. I do not think I am able to answer that, Mr. Motherwell.

Q. You know there is a point reached when the consumption will be reduced. Cheap milk always implies greater consumption. Dear milk always, as a rule, means lesser consumption, especially during a time like this.—A. Let me tell you something. In my search about this milk business, I was consulting with my friends in Boston, who were referred to to-day, the H. P. Hood Company, who are a very old and very conservative firm. They have been troubled with this cutting of prices, and they thought they would see if by taking a section and by reducing the price of milk whether it would build up their wagon loads. They gave it a very fair trial and they actually said it did not put a quart more on the wagon. I tell you gentlemen, the greatest asset we have—I may be talking too much, but I am carrying along—is the goodwill of the people. I will tell you when I started in I was not an awfully big company, but I will have women coming to me and saying—women of middle age—and they will say to me, “Mr. Hogg, do you remember when you served my mother?” Now, they do not change much, you know. It is only through the length of the years that you get into the old family trade in Montreal. There is no short route to it.

The CHAIRMAN: We shall now adjourn to meet again on Tuesday.

Committee adjourned at one o'clock, to meet on Tuesday, March 21, at 10.30 a.m.

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SESSION 1933
HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, MARCH 21, 1933

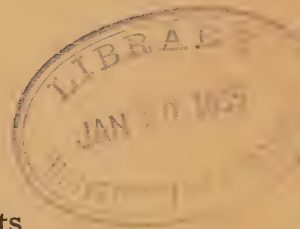
No. 7

Reference,—Milk and Milk Products

WITNESS:

W. R. Aird, President Elmhurst Dairy, Limited, and Eastern Dairies
Limited.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933



MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

TUESDAY, March 21, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn in the Chair.

Members present: Messrs. Barber, Bertrand, Blair, Bouchard, Boulanger, Bowen, Boyes, Brown, Carmichael, Donnelly, Dupuis, Fafard, Gobeil, Goulet, Jones, Loucks, Lucas, McGillis, Moore, Motherwell, Mullins, Myers, Perley, Pickel, Rowe, Sauvé, Shaver, Smith, Spotton, Sproule, Stewart, Stirling, Taylor, Tummon, Vallance, Weese, Weir (*Macdonald*), Wilson.

Mr. Boyes raised the question of whether the committee was going to carry its investigation into the milk situation in Western Ontario cities. The Chairman informed him that the agenda, agreed upon at the initial meeting, to proceed first with Montreal, unless varied by the committee, would be adhered to.

Mr. E. Cousins, President of Ernest Cousins Limited, was in attendance and was informed that as he had not been summoned would be heard only if time permitted.

Mr. Tummon, for the sub-committee, reported that W. R. Aird, President of Elmhurst Dairy Limited, Montreal and Eastern Dairies Limited, had been summoned for to-day.

Report concurred in.

W. R. Aird, called and sworn, read a prepared statement and was submitted to examination. The witness agreed to file certain statements by forwarding same to the Clerk.

Witness retired.

The meeting adjourned at 1.15 p.m., at the call of the Chair.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

MARCH 21, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 a.m. Mr. Senn presiding.

The CHAIRMAN: First of all we will have a report from the subcommittee on witnesses.

Mr. BOYES: Just before proceeding with the order of business I would like to bring a little matter to the attention of the committee. I have an inquiry here from the agricultural representative of the county of Middlesex, and he asks this question: Is the commission planning to take any information from London, Toronto, and other points in that section? Now, apparently, they are interested in that part of the province of Ontario and would like to know. I thought I would first bring the matter before the committee this morning to see what might be the proper action.

The CHAIRMAN: Of course, you realize, Mr. Boyes, it was understood at the first meeting of the committee that conditions in Montreal were to be investigated first. When the committee considers that sufficient investigation has been made into conditions in Montreal it will be competent for them to say so and to call witnesses from other places. That is as far as I can go at the moment myself, unless some member of the committee has something further to add.

Mr. BOYES: Then I might reply that the city of Montreal will be investigated first, and if there is time further action might be taken with regard to other sections of the country.

The CHAIRMAN: I think so. Now, Mr. Tummon, will you report as to your witnesses.

Mr. TUMMON: The subcommittee last Thursday had thought of asking Mr. Cousins and Mr. Monette to come back again to-day, as I intimated in making the report. Afterwards, for certain reasons, we decided to ask Mr. Aird of the Elmhurst Dairy Limited of Montreal to appear here to-day as witness, and I believe Mr. Aird is here.

Mr. E. COUSINS: Mr. Chairman, you asked Mr. F. Cousins to come back to-day, and I am here in his stead. Now, I would like to make my own position understood. I must first apologize for the absence of my son. He has a bad cold. I am here in his place. I would like to say this with your permission that I should not have to come back again. If there are any questions you would like to ask me, I will be very pleased to answer them.

The CHAIRMAN: I had not understood you were notified to appear to-day. If you were, we shall have to make some attempt to hear you.

Mr. COUSINS: My son was so notified.

The CHAIRMAN: By whom?

Mr. COUSINS: By this investigating committee, I presume.

The CHAIRMAN: The only gentleman who invites witnesses to come here is the clerk of the committee, and he informs me that you received no notice whatever.

Mr. COUSINS: We were requested to come back.

The CHAIRMAN: There is a letter here, Mr. Cousins, of March 14, 1933, addressed to Mr. F. Cousins from the clerk of the Agriculture committee:—

DEAR SIR,—

I enclose herewith a copy of the evidence taken to-day before the agriculture committee of the House of Commons. A perusal of this evidence would inform you of the statements which the committee requires you to produce at your next appearance. Please advise me when you have the required information ready.

I understand there has been no reply.

Mr. COUSINS: I am sorry to say the fact still remains that he was requested to attend to-day.

Mr. GOULET: By whom was he requested to be here to-day?

Mr. COUSINS: By the secretary or chairman.

The CHAIRMAN: I never made such a request. However, we will hear you after having heard the first witness, if it is the wish of the committee.

WILLIAM R. AIRD, called and sworn.

By the Chairman:

Q. What is your position, Mr. Aird?—A. Vice-President of the Elmhurst Dairy Limited.

Mr. TUMMON: Mr. Chairman, Mr. Aird asked me when he was giving his evidence if it would be possible for him to bring his secretary and some others who would have the information at hand—at their fingertips—and he would like to have them sitting alongside of him. I told him I could see no reason why that should not be done.

Mr. BROWN: May I ask both the members of the committee and the witness to speak out so that everybody can hear. This is not a good hall to hear in. I hardly heard what Mr. Tummon said.

Mr. TUMMON: Mr. Aird asked if he might have his secretary and others beside him to advise him on certain matters as he gave his evidence.

The CHAIRMAN: I think that is customary. Go ahead, Mr. Aird.

The WITNESS: I have prepared a statement which I would like to read:—

March 17, 1933.

Chairman,
Select Standing Committee,
Agriculture and Colonization,
House of Commons, Ottawa, Ont.

DEAR SIR,—I beg to submit the following information concerning the business of our subsidiary, Elmhurst Dairy, Limited, Montreal, dealing more particularly with the purchase of milk and the relations between the company and the Montreal Milk Producers Association.

The terms on which we purchase milk from the producers are arrived at on a collective bargaining basis. Periodically the executive of the Montreal Milk Producers Association meet with representatives of the dairies of the city to arrange the terms on which milk will be purchased, the terms agreed upon remaining in force until the next meeting which may be held at the call of either the Montreal Milk Producers Association or any distributor.

The terms agreed upon are usually restricted to the prices to be paid for regular milk. It is left to the dairies to select their own shippers and to purchase from whom they will.

It has been the policy of Elmhurst Dairy, Limited, to adhere strictly to their agreement with the executive of the Association. All shippers taken on must have had their farms inspected by inspectors employed by the Health Department of the City of Montreal, and shippers are taken on by this company only after we have received notification from the Health Department that it is in order to purchase their milk. The Health Department also reserves the right to cancel any shipper's permit, thus prohibiting us from purchasing milk from that farm. Frequently we have received numerous offers from producers to ship milk to us in considerable quantities at prices much lower than the agreed prices, but we have without exception turned down these offers. It is also our policy to adhere strictly to the regulations of the City of Montreal and to co-operate with them in every manner possible.

Regular Milk is milk which is shipped to the dairy and used for sale as fluid milk.

Surplus Milk is milk shipped to the dairy over and above the quantity required for sale as fluid milk, and which must be used by the dairy in some other way.

Each month the producers are paid for the milk sold as fluid milk at Regular Milk prices, and for the balance of their shipments at Surplus prices, the division of these quantities being apportioned to the producers on a pro rata basis. In arriving at the volume of sales on which we have agreed to pay Regular Milk prices all sales of milk are included, including buttermilk.

Each shipper is given a base which consists of his average shipments for the six months, from September to February inclusive. During this period the surplus is divided equally amongst all shippers. From March until August the shipments sent by each shipper over and above his six months' base, are treated as surplus. Should this not cover the actual surplus of milk received the balance is divided equally amongst all the shippers, including those who have not actually shipped a surplus. Should the surplus shipments of each shipper more than cover the surplus received, the surplus charged against these shippers is reduced accordingly.

Thus, if a shipper's monthly average for his base period is 6,000 pounds and for the month of March he ships 7,500 pounds he would be paid for 20 per cent of his shipments at surplus prices; should a further surplus charge be necessary he would have an equal proportion added on, divided amongst all the shippers on our list. If, however, there was more than sufficient surplus taken, the payment on the surplus base would be reduced in proportion.

Jersey Milk and Special Milks are purchased separately at higher prices, and are therefore not included in the negotiations with the Producers' Association.

One of the most difficult items to control in the dairy business is the number of shippers to be taken on and the amount of milk to be purchased. Our usual agreement with individual producers is that we will take all the milk they send us providing we pay them on the basis above outlined. The sales of milk fluctuate very considerably from season to season and also from week to week. For example, in the summer-time when the production of milk is high the sales in the city are low and on the other hand in the winter time, when production is low, sales

are higher. In addition to this sales are affected by changes in the weather, holidays, particularly school holidays, and they are also subject to change each time a change of price goes into effect. For this reason we sometimes find it necessary to take on extra shippers during the low production months. These shippers are paid on the same basis as the others with the exception that they ship only during part of the year, and are dropped off our lists when their milk is no longer required. These shippers are generally given the opportunity of shipping cream if they so desire.

The agreed price with the Producers' Association is based on milk testing 3.5 per cent butterfat but we pay a bonus of 3 cents per hundred pounds each tenth of 1 per cent above that figure, and 3 cents per hundred pounds is deducted for each tenth of 1 per cent which his milk falls below 3.5 per cent. This applies to the purchase of both Regular and Surplus Milk. Our experience has been that this practice has helped to increase the butterfat content of milk produced, as generally our premiums exceed the penalties. The City of Montreal prohibits the sale of milk under 3.25 per cent, and also prohibits any standardizing of butterfat content. In other words the milk must be sold as received. The milk sold by Elmhurst Dairy, Limited, averages approximately 3.7 per cent butterfat, and this is done without any standardizing.

It appears to be the popular opinion that the so-called spread which the dairies receive is the difference between the retail selling price of milk and the price paid to the producers based on 40 quarts of milk to each 100 pounds. A gallon of milk weighs 10.3 pounds and it therefore takes 103 pounds of milk to provide 40 quarts or only 38.8 quarts per hundred pounds of milk.

This yield, however, is not obtained in actual practice. With efficient operation there is a plant shrinkage of approximately 2 per cent. This shrinkage is inevitable in the handling of milk through modern dairy equipment and is due to evaporation, loss in the equipment, overcapacity of milk bottles, etc.

The great bulk of the surplus milk received is not required for any other purpose and therefore has to be separated and used for the manufacture of butter. Since the price we pay for Surplus Milk is always considerably higher than the price of churning cream and the market price of butter this results in a loss to the dairy of an amount which is equivalent over a period of time to an average of approximately one-tenth of a cent per quart of milk sold, and this is the dairy's part of the inevitable loss through being unable to purchase milk exactly to the quantity required.

In considering the statistics furnished by cities in the United States of America it should be remembered that the yield in quarts per hundred pounds based on the American quart is 20 per cent higher than the yield in Canadian quarts, so that in order to be on an equal basis with the dairies in the United States we in Canada should receive a 20 per cent higher spread per quart.

In considering Dairy Plant Operations I would like to point out that a milk pasteurizing plant operates 365 days a year. It is impossible to close down even for one day. This means extra expenditure for equipment, labour and other charges which plants in other lines of business are not subjected to. The same condition applies to delivery expenses as deliveries must be made 365 days each year. In Montreal climatic conditions are such that our company must maintain both waggons and

sleighs sufficient to cover all its routes. This is a condition which a great many of the cities in the United States of America and quite a number of the cities in the Dominion of Canada do not have to meet.

Our company sells only milk, cream and other dairy products of the highest quality, and our standards not only meet but exceed those fixed by the Health Department of the City of Montreal. In order to do so it is necessary to exercise continuous and careful attention in the maintenance of the plant and equipment, and the handling of the products. The plant and equipment must be kept scrupulously clean and the pasteurizing and cooling processes must be carried out to the letter. Over a period of a year thousands of samples are collected and tested in order to provide a proper check on the operations of the plant. This attention has to be maintained during the full twenty-four hours of each and every day.

In our opinion the house to house method of delivering milk is an absolute necessity. On Sundays and holidays when the stores are not open a delivery of fresh milk can only be obtained from the distributing plants. In addition there are always a large number of people who due to illness or other circumstances are unable to go to the store for their milk. This has been proved by the fact that since some of the stores have sold milk at very low prices a large number of our customers have taken their early morning delivery or part of their requirements from us and the balance from those stores. By delivery direct from the dairy plant to the home, the most of which is made before breakfast, the public is assured of receiving milk of the highest quality. During the warm weather milk is placed on the delivery waggons under ice.

In the case of contagious diseases in any home the Health Department of the City notify the distributing company, after which special precautions are taken in each case until all danger has been eliminated, and it is apparent that the necessary care in this regard can be controlled more easily through direct delivery from the distributing company to the homes than by any other method of delivery. There is also the question of delivery to hospitals, charitable institutions, restaurants and other similar organizations.

The cost of delivering milk direct from the distributing plants to the homes is not excessive where a fair volume is sold. During the last two or three years, however, conditions have been such as to make the maintenance of a fair volume very difficult. The continued unsatisfactory conditions prevailing throughout the country and the consequent lack of buying power has caused a decrease in the consumption of milk and a larger decrease in the consumption of cream. In addition to this a number of the chain stores have used milk as a Leader, and in this way have divided the method by which a great many homes receive their supplies and thus cause an increase in the expenses of deliveries to them. As previously mentioned this company has refused to purchase milk which had been offered by producers at lower than the regular prices. This milk, however, has found its way into the City of Montreal, and it has enabled some of the smaller dealers to undersell the companies who were adhering to the agreement with the Association and endeavouring to maintain a fair price to the producers and a fair price from the consumer.

We wish to stress the fact that so far as our company is concerned there has been no antagonism with or from the producers. We believe it to be vital to the success of our industry that the producers receive a fair value for their products. On the other hand it is also vital that the

distributing companies receive a fair return from their sales in order that they can pay the producers promptly, and also bear the expense of handling and delivering the products to the consumer in accordance with the high standards which should be maintained.

During recent years the market values of butter and cheese have fallen to extremely low levels. These values are beyond the control of the producers and the distributors, but they are nevertheless a determining factor in the regulation of fluid milk prices. From 60 per cent to 75 per cent of the milk produced in Canada is not required for fluid milk or cream. There is always an effort made by the producers to dispose of their milk for fluid sale purposes, and if the difference between the prices of these two classifications is too great the pressure becomes severe and ultimately breaks down the price of fluid milk.

Yours truly,

EASTERN DAIRIES LIMITED,

W. R. AIRD,

President.

By the Chairman:

Q. Is that all of your statement?—A. Yes, sir. I will be glad to answer any questions.

By Mr. Blair:

Q. May I ask you a question pertaining to delivery. You said the loss on the surplus is 1 cent a quart?—A. One-tenth of a cent a quart.

Q. Now, you say the deliveries are very small, but we are all aware in Toronto that on some streets in the morning six or seven milk carts are on the one street annoying the early drivers of cars. Would it not be possible, sir, to have a central delivery, especially for the small customers, where one waggon would deliver for all companies. It is seldom that a delivery man enters in as a factor in securing new customers, because the milk is delivered before the people are out of bed in many cases. Therefore, I think you could carry on the business and have a central delivery for the smaller customers?—A. My answer to that question is that none of us in our company have been able to figure out a method under which that could be done, and some of us have had a very considerable number of year's experience in the distribution of milk, and we have not been able to figure out any basis of that sort. It would take a superman on a waggon to be able to tell who wants which milk.

By Mr. Brown:

Q. Has your organization any arrangement with any of the chain stores, and if so, what?—A. We are supplying the Dominion stores at Montreal?

Q. At what price?—A. The price to the Dominion stores is to-day 7 cents.

Q. And they sell at what price?—A. Eight cents.

Q. And you deliver at what price?—A. Nine cents.

By Mr. Blair:

Q. May I ask what is the cost of delivery?—A. I have prepared here some figures I think that will answer that question. Perhaps, with your permission, Mr. Chairman, I might give a brief outline of what constitutes the costs of a dairy.

The CHAIRMAN: That will be very acceptable.

WITNESS: Unfortunately, our fiscal year ends in March, and with your permission I would like to talk on our period of the year ending the 3rd of March, 1932, and the ten months ending January 31, 1933. I can give you comparative figures for these two periods. This is on milk, per quart; the cost of the dairy expenses was 1.48 cents per quart; for the year ending March 31, 1932; and 1.52 cents per quart for the ten months ending January 31, 1933.

Q. What does that include, Mr. Aird?—A. I was going to give you the whole thing.

Q. All right.—A. It includes first of all, labour.

By Mr. Stirling:

Q. The cost to the dairy for labour?—A. That is the actual dairy cost. Now, in the dairy expenses are included such items as bottling caps, fuel, general expenses applicable to the dairy itself, the proportion of insurance charges that are applicable to the dairy, labour generally that is applicable to the dairy, laboratory expenses and labour, milk and cream wages, light, power, refrigeration, rent if any, repairs and maintenance, supplies general, supplies laboratory, taxes, workmen's compensation, and water.

By Mr. Pickel:

Q. Does that include pasteurization?—A. All of these costs go to make up the total dairy cost, including pasteurization.

By Mr. Stirling:

Q. Is that including the cost of the milk and the cream?—A. No, that is actual expenses only.

Q. But, you read milk and cream?—A. I said, "Supplies, milk and cream," and "labour, milk and cream," that is the labour actually expended by us on handling the milk for the plant.

MR. BOUCHARD: Does it include what was invested?—A. No—1.48 is the figure.

By Mr. Tummon:

Q. That is for 1931?—A. For the year ending March 31, 1932, and 1.52 for the ten months ending January 31, 1933. You will notice that the costs are up slightly for the past ten months, over the previous year.

By Mr. Bouchard:

Q. Why?—A. For the simple reason the sales are down. Our wages have been cut. We have cut our expenses to the bone, but unfortunately we have not been able to get our expenses down as fast as sales and other things drop. Now then, selling and other expenses are the next thing, that cost was, for the year ending March 31, 1932, 2.59 cents per quart, and for the ten months ending January 31, 2.83 cents per quart. You will notice there is a decrease there, some of the wagons have been taken off the road, and we cut wages besides and commissions.

Q. Does that include delivery cost?—A. This is delivery costs I am talking about now, selling and delivery. In other words, our expenses are split up in four ways; first—I have not mentioned the price we pay for milk, well I can give you that—first of all is our dairy expense, then our selling and delivery expenses, and administration expenses and our executive expense.

By Mr. Vallance:

Q. Why would your delivery costs be cut because you took off some wagons?—A. Because we have been trying to get our expenses down on account of general conditions, and as our sales drop we took wagons off the road. We lost customers.

Q. You say your "per quart" is so and so?—A. Yes.

Q. So then, when you took off your wagons, it lowered the cost per quart?—A. Providing we can maintain the sales on our wagons that are left, yes. That is what we have done, and of course there are other costs besides that have been contributed to the lowering of that cost. If you will allow me to read what makes up this cost of delivery, perhaps you can figure it out. First of all, there is the blacksmith, we have to shoe horses; then there are bottles, cans, cases, express on sales if any, general expenses in connection with selling, horse feed, insurance, labour blacksmith, labour garage, salesmen's wages, stable and yard services, store if any, licences, which is a very heavy item, rentals, if any, repairs to cans, repairs to cases, reserve for bad debts, stable expenses, trucks, wagon and sleigh repairs. All of these items go to make up that expense.

By Mr. Boys:

Q. Do you have any milk delivery by motor?—A. Yes, both.

By Mr. Tummon:

Q. Just while you are on that, have you the cost for bottles there?—A. No, the bottles cost us roughly, around five cents apiece.

Q. Have you any idea what you spent in the fiscal year 1932 for bottles?—A. Yes, about \$1,000 a month.

Q. Would that be for increase in business?—A. No, that is actual bottle loss, breakage, applicable to the charges.

Q. And what does that amount to?—A. To a thousand dollars a month. Of course, gentlemen, a thousand dollars a month sounds like an awful lot, but when you come to deal with a few million bottles the cost in the year is not so much. Take a grocery store wrapping parcels, if you got them to tell you what it cost to wrap up an individual parcel, I am sure you would be surprised. You are asking us one lump sum of what bottles amount to on a fairly large volume of business.

By Mr. Shaver:

Q. Might I enquire if that figure includes just breakage?—A. All bottle expense.

Q. What other losses would you have except breakage?—A. Yes, there is the loss on bottles.

Q. How could that be, isn't it the usual custom to make each driver responsible for the bottles he takes out and to charge customers for bottles they fail to return?—A. No, we have two types of bottles, we have a store bottle on milk sold to stores, there is a charge for them, but you can't charge the householder for a bottle.

By Mr. Vallance:

Q. Why can't you charge the householders?—A. You might do it, but if you did, you probably wouldn't keep your customer long.

Q. I suppose that is why you see so many bottles lying around the lanes here?—A. I don't think you see many.

Q. Yes, indeed you do.—A. If you have gone around before the bottles have been collected, you will find some there. I can tell you, gentlemen, we are on the job looking after bottles, we know that bottles are an expense, and we don't just sit back and leave bottles lie around.

By Mr. Goulet:

Q. Why can't you just charge them to the customers?—A. For the simple reason if you have been supplying milk to a home—this company started in

1873—they are short a bottle one morning and you told them that before you could deliver to them they had to have a bottle or pay for one, they would not like it very well.

By Mr. Brown:

Q. This is a very serious thing to us; it has increased the cost of milk?—

A. My dear sir, it is a very serious thing to us too.

Q. You have means of making it up, and we haven't.

By Mr. Goulet:

Q. If the companies were to do the same thing in general, then it would be all right?—A. If everybody did everything they should,—that is the ideal, but it is impossible.

By Mr. Brown:

Q. We had that testimony before with reference two other companies, and in one case, if I remember correctly, we were told it was \$16,000, and in another, \$14,000—I think the second company gave a much similar statement. Now, the cost of bottles in the city of Montreal must be enormous.—A. It is.

Q. Of course, that cost must be finally taken out of the producer of milk?—A. It is.

Q. Of course, that cost must be finally taken out of the producer of milk?—A. I would not say that the producer of milk is paying that.

Q. No? Oh, yes, he does.—A. The consumer is paying that.

Q. Can you say how it was charged to the producer?—A. Charged in this respect, that it all comes into the cost of doing business.

Q. Oh, yes; but that means that you are able to pay the producer just that much less because of that cost.—A. No.

Q. And so the point to the farmer is this, that we want and insist that the distribution of milk be carried on in the cheapest possible way, or at least at a reasonable cost, and everything that is added to the handling cost is an extra charge upon the producer of milk. We must get that point of view, and we want the producer to get that point of view.—A. We have it.

Q. I mean that the farmer takes what is left after all other expenses are paid; and until everybody gets that point of view we will not get a proper solution on this question.—A. Well, I am going to tell you this sir, that we have that point of view, and we watch our bottles, and our bottle loss to-day is as low as we can make it, using the best effort that we have to keep it down, we are on the job; we don't operate our business to just let this situation ride, we are operating our business as economically as we know how. My sympathy is entirely with the producer. I think the evidence that has been produced here proves that some of us at least are trying to pay the producer a fair price.

By Mr. Vallance:

Q. Might I ask a question right there: You say the cost to you is a thousand dollars a month for bottles, what volume of milk do you handle per month?—A. We handle over the year on milk alone—of course, the \$1,000 a month is bottle cost for the entire business—we handle 9,943,521 units.

Q. Last year?—A. That does not mean bottles only, because some of these bottles are in fours—when you get into halfpints—but this is brought to quarts; and the total is 9,943,521 units. Now, if you divide that into \$1,000 a month—

Q. Quarts, you say?—A. That is our total units sold, milk, cream and butter.

Q. I mean, is it quarts?—A. Quarts, yes; and butter is “a pound”—9,943,521 units.

By Mr. Tummon:

Q. Now, can you give us—have you handy there Mr. Aird, the total number of pounds of milk that you handled last year?—A. Yes, but wouldn't you rather have me finish this cost.

Q. Well, there is just a point here that I want to make.—A. We purchased—I am taking the same period, March, 1931, to March, 1932, the year—22,572,910 pounds of milk.

Q. Then Mr. Aird, I should like to fix that right here, that where he handled over twenty-two million pounds of milk at an average cost of \$1,000 per month for bottles. We have had evidence here where those who only had 13 million pounds of milk the cost ran over \$1,000 worth of bottles; so you are well under them.

By Mr. Boyes:

Q. May I ask, where you have that \$1,000 per month cost for bottles, about what percentage is that of your total value of bottles throughout that time?—A. I can't answer that.

By the Chairman:

Q. He means your stock of bottles.—A. I have got the figure of the value of the bottles that we have, but there are a thousand other things—

The CHAIRMAN: Might I propose, gentlemen, that Mr. Aird finish his statement, and that you confine your questions to the statement afterwards.

The WITNESS: Now I think you have the dairy expenses, and the selling and delivery expenses. On the butter wrapping and selling and delivery expenses for the year ending March 31, 1932, 2·95 cents—and average for the ten months, 2·83 cents. Administration—I'd just like to point out that in that connection 1·82 cents over the year was paid out in wages; and 1·74 cents for the ten months was paid out in wages.

By Mr. Tummon:

Q. That is, selling and delivery?—A. That is selling and delivery. I am dealing in cents per quart. The administration expenses for the year ending March 31, 1932, were ·52 of a cent; and for the ten months, ·49 cent. The executive expenses were ·24 cent; and the ten months ·25 cent, giving total expenses of 5·17 cents for the year; and 5·09 cents for the ten months. Now, the selling value. One average selling price per quart for the year was 10·53 cents; and for the ten months, 9·04 cents. You will notice a decrease of almost 1·5 cents. The purchase price of the milk—the cost of our milk for the year was 4·83 cents; and for the ten months 3·59 cents.

Q. That is, per quart?—A. Per quart.

By the Chairman:

Q. Does that include surplus?—A. That is the actual cost of the milk sold.

By Mr. Bouchard:

Q. Do you sell exactly the same quantity as you buy?—A. No, we do not.

By Mr. Tummon:

Q. Your cost price, of course, included transportation to the farmer?—A. Yes. I'd just like to point out one point here; that from these figures you

will notice that the dairy itself absorbed a quarter of a cent a quart. In other words, our spread actually went down from 5·70 to 5·45, or one-quarter of a cent a quart. We have absorbed that spread.

By Mr. Bouchard:

Q. Do you sell milk with the same proportion of fat in it as you buy?—A. Absolutely. I stated that in my report. Now, that leaves one figure, that is profit. Taking the 5·17 from the 5·70 leaves a profit of ·53 cents per quart, out of which we have to pay interest on our investment and depreciation; and for the ten months it leaves ·36 cents for a quart, out of which we have to do the same thing.

By Mr. Vallance:

Q. Just a word about that "depreciation." You say that it costs you \$1,000 a month for bottles?—A. Yes, sir.

Q. Does that figure in your depreciation, also?—A. No. The bottle loss is an actual operating expense and so charged.

By Mr. Brown:

Q. What percentage of depreciation do you allow?—A. Well, that is a question that I can't answer. This company is a subsidiary of Eastern Dairies, and I haven't got those figures here.

By Mr. Vallance:

Q. Regarding the butter fat content of your milk, is that the same at all times?—A. No.

Q. It is not?—A. No, no more than the cow gives the same kind of butter fat at all times, it varies from year to year and from month to month, practically.

Q. You take the milk as it is delivered to you and after pasteurizing it you then have 3·7, or whatever the average is, and you deliver the average?—A. That is right, absolutely. There is nothing added to or taken from it.

By Mr. Brown:

Q. Let us come back to the chain stores; how long have you been supplying the Dominion stores?—A. Oh, for quite a number of years, but not at a lower price than we sell it; only since the first of March.

Q. Well, that is a point I want to get at, how long have you been delivering it to the chain stores at your reduced price?—A. Since the first of March.

Q. Of this year?—A. I think, to be exact, probably about the 27th or 28th of February we started.

Q. And have you reduced your house to house delivery price since then?—A. Yes we did, at the same time.

Q. That means this, I want to emphasize this point, that means that you will be compelled to pay the producers less for their milk through the arrangements that have been made with the chain stores?—A. Well, sir, if you get 40 cents a hundred less for it—I am giving it roughly, now—if the dairy gets 40 cents less out of which to pay, what else can you do.

Q. Well, I am not saying you can do anything else, but I want the public to understand that point?—A. I think, ultimately, that is what is going to happen.

Q. This arrangement with the chain stores means that the chain stores are handling the farmer's milk at less than cost, and the farmer is therefore compelled to take less for his product than he otherwise would. I want to emphasize that point, and you admit it, as it was admitted by a witness here the other day—it means that the farmer is the eventual sufferer.

By Mr. Loucks:

Q. I have figures here from a consumer for the month of January, 1933, I just want to ask if they compare favourably with your figures. The consumer paid an average of 11 cents for January of this year—they really paid 6 cents per pint for milk, and also 35 cents a pint and 50 cents a pint for double X cream. Do these figures compare with your figures as a distributor?—A. Our selling price on milk for January, 1933, was 11 cents a quart, that is right; 6 cents by the pint—we have adopted this policy of charging more for a pint than a quart for the simple reason that it costs more.

By Mr. Pickel:

Q. What is the proportion of milk sold in pints?—A. Oh, the pints are very small, very, very small.

Q. Can you give us the percentage of that?—A. No, I could not give you the percentage. It is only a few odd cases a day. It would naturally add to the cost but it does not amount to a very great deal, the pints of milk sold—very slight. There are lots of half-pints sold to schools.

Q. What is the difference in the cost of bottling a pint or a quart?—A. Well, that, sir, is a hard question to answer. You have to have a regular cost accountant, and I doubt if it would add much anyway when we actually got it to take and separate the flow of milk through the plant to show that your pints cost so much and your half-pints cost so much.

Q. I meant the cost of the bottles?—A. Oh, of bottles; I would say that the cost of the bottles for the same quantity of milk, that is, 2 pints make quart, would be more on a pint than on a quart. The bottles cost a little less per bottle but then you have got 2 bottles instead of one.

By Mr. Vallance:

Q. The difference is very small?—A. Not very much less, I have not the actual figures here, I will be glad to get it for you.

By Mr. Loucks:

Q. I have here another price which shows that the consumer pays 10 cents per quart for buttermilk?—A. I think that the price of buttermilk was 8 cents, it may have been 10; but if it were 10 or 8, buttermilk is milk, and is purchased by us as milk. It is not something that we get for nothing.

By Mr. Blair:

Q. Is it always fresh milk?—A. Our buttermilk is always fresh milk.

By Mr. Brown:

Q. Do you mean by buttermilk that you churn it?—A. Yes, we churn it.

Q. Do you make part of your surplus into what is called modified buttermilk?—A. No, we do not. Our buttermilk is buttermilk, and is sold as buttermilk; and it is not fermented milk.

Q. Well, you would say it is a by-product?—A. No, it is not.

By Mr. Loucks:

Q. But it is a by-product in the sense that it is left over from churning?—A. No, our buttermilk is manufactured and sold as buttermilk, it is not the residue of a churning.

By Mr. Mullins:

Q. The butter is not taken off— —A. Very, very little, you have got to take a little off in order to get good churned buttermilk; you have to get to take some of the butter off and you have got to make up—

Q. Are you right about that fat?—A. Our buttermilk runs around 2 per cent fat.

Q. And you leave that butter fat in the buttermilk?—A. Absolutely.

By Mr. Shaver:

Q. May I ask if you take this 2 per cent or take a certain amount of whole milk and a certain amount of skim milk and put with it milk from which the butter fat has been taken off?—A. No, sir.

Q. Would it be possible to do that?—A. Oh, yes, most anything is possible, but we don't do those things.

By Mr. Vallance:

Q. When you make buttermilk with milk you take a quantity of milk and take from it a certain percentage of butterfat?—A. No. I will tell you what we do. We take milk and we add cream.

Q. You take milk and you add cream?—A. We take milk and we add cream to it up to, I think it is, 10 or 12 per cent, because we have to get something to get butter from—we put cream in in order to get butter out—we get the butter value in and then we take and churn that.

By the Chairman:

Q. Do you churn that sour or sweet?—A. It has got to be sour of course, that is the usual procedure. We churn that and there is a small proportion of butter comes off leaving the old fashioned buttermilk, churned as nearly as you can get to the old fashioned churn—as near as it is possible to make it.

By Mr. Loucks:

Q. What percentage of butterfat have you really got?—A. 2 per cent.

Q. You don't say you leave that butter in there?—A. No, I say we should have our milk up to 10 per cent, and after taking the butterfat off it leaves about 2 per cent.

Q. You take off about 8 per cent?—A. Yes, about that much.

By Mr. Vallance:

Q. If the witness knows, and I might tell him I am a farmer, I would like him to tell me how he can take milk and by adding cream bring it up 10 per cent butterfat and then churn it and leave 2 per cent butterfat in it; I want to know how that is done?—A. That is the only way I can tell you. I tried to make it plain. Unfortunately, I am not a practical man, and the only thing I can tell you is if you would like to come down I can show it being done.

Q. I have done a lot of churning in my day, both by dash churn and by other churns and I know what I am talking about, whether it is the old dash churn or the other churn, it is just the same, and I don't know yet how you could get that 2 per cent butterfat in it, when you take out the butter you take out all the butter?—A. We do practically put in the butter, but as I told you we started off with 10 per cent—

Q. I know about that. You say you took 10 per cent off. What I want to know is how you leave that 2 per cent in and take 8 per cent off?—A. I can't answer that.

Q. I don't think anybody could. I can see how it would work if you are making synthetic buttermilk, how you could put 2 per cent butterfat into it, but if you are going to put it through any churning process, I can't see how you can leave that 2 per cent in?—A. I can tell you this, sir, we don't make synthetic buttermilk in our plant; ours is churned buttermilk.

By Mr. Mullins:

Q. There is no culture in it?—A. The usual process. I will tell you what I will do. I will be very glad to send you a full description—I don't believe I have it here—on how we make our buttermilk.

Q. Let me ask you, do you use any culture; do you put any powder in?—A. We put no powder in.

Q. Nor a cube of any kind?—A. No.

By Mr. Boyes:

Q. Regarding that question, I would like to understand this, that you would add a culture to the cream before you churned it so as to get the right percentage of acidity?—A. You have got to do that to make butter generally and as I said we went through the usual processes of making butter.

By Mr. Pickel:

Mr. Aird, you say that your buttermilk is made just the same as it used to be made in the old dash churn?—A. No, I say it is as nearly like that as we can possibly make it.

Q. It used to be the process in making butter in the old dash churn to get all the butter out of it?—A. Yes.

Q. There might be a little stay in but not much after it is strained, there would be no butter curds in it, so that it is rather obvious that if this is used for making butter the buttermilk is actually a by-product?—A. Of course, buttermilk is a by-product after churning butter, but the point which I am making is this, that the milk which goes into that is not a by-product and it is purchased as fluid milk.

Q. But you get the butter?—A. Certainly, and take a loss on it.

By Mr. Vallance:

Q. Now, when you churn milk, you say that that is not a by-product, but we realize that it is a by-product of the cow because you churned it, what do you allow for the butter in order to arrive at a price of 8 or 10 cents for a quart of buttermilk; what do you allow for the butter? You pay the same prices for milk from which you make buttermilk as you do for the fluid milk which you deliver through the city?—A. Yes.

Q. When you get your butter made you charge for the butter, and you say you sell your buttermilk for 8 or 10 cents per quart, and that you are probably selling the whole milk at 11. That is a difference of 3 cents—8 and 11—3 for the whole and 8 for the butter. Do you get just the equivalent of 3 cents for the butter taken off the milk, making the whole operation 11 cents?—A. That is a very involved question. I can't answer that.

Q. That is what is sticking in the crop of the producer?—A. I know; but the volume of buttermilk is so small it practically amounts to nothing,—the few quarts of buttermilk sold to-day by our company are neither here nor there.

Q. Well, in the whole sales of your company that you mention, does that include the buttermilk with the whole milk?—A. Yes, and that volume of buttermilk is sold—it is only a few hundred quarts a week.

Q. You haven't got the volume of both with you?—A. No, I have not.

By Mr. Brown:

Q. What proportion of your milk do you pay for at surplus prices?—A. For the ten months ending January, 1933, 15.8 per cent.

By Mr. Loucks:

Q. What is the difference between the price you pay the producer for the month of June, the difference in the spread to the producer? What is the price in June? I give you figures from a consumer in January. I want to find out what would be the difference to the producer. Naturally there would be—A. In June?

Q. There would be a big production of milk in June?—A. You want to know—your question is what is our spread in the month of June?

Q. And in January, that is to the producer, the price.—A. You mean—

Mr. VALLANCE: The spread between what you actually paid.

The WITNESS: What we actually paid?

By Mr. Loucks:

Q. To the producer. There would be a spread between the price you would pay in January for milk.—A. In the month of June the producer got 3.4 and in the month of January, 1933, 4.1.

Q. I want to give you some more figures from a consumer in Montreal. Here is what this consumer says they paid for the month of June, that is 1932. They paid 10 cents a quart for milk in June. They paid 6 cents a pint for milk in June. They paid for cream the same, that is 2-X, 50 cents. They paid for buttermilk the same, 10 cents in the month of June. That is different from in January. That is the consumer. How do you account for that, when you cut the price to the producer between January and June?—A. We did not cut the price to the producer. We raised the price. The producer got 4.1 in January against 3.4 in June.

Q. Yes, to the consumer; that is what we are trying to get. We are trying to find out what this spread is, what the spread is between the producer and the consumer. You charged the consumer practically the same in June as you charged in January?—A. No.

Q. But you cut the producer?—A. No, the producer paid one cent more in January than in June—the consumer paid one cent more and the producer got more, both of them.

Q. Here are the figures again that the consumer paid. We admit for milk you paid one cent more a quart; but by the pint, paid exactly the same, 6 cents a pint in June.—A. A pint?

Q. Yes, a pint.—A. For the simple reason pints are so small that they don't enter into it, and you can't split cents in half.

Q. Take cream, cream is the very same exactly, 35 cents in June and January. Buttermilk is just the same in June and January. There is no difference to the consumer, only with milk?—A. That is right.

Q. How do you explain that? Who gets the profit? The farmer does not, but the consumer pays the same?—A. Well, frankly, gentlemen, that item of buttermilk is so small that it does not—it hardly enters into the picture at all.

Q. Just one more thing. This consumer says they consumed 14½ quarts of buttermilk in the month of June and they have consumed 15½ quarts of buttermilk in January. That is only one consumer.—A. They consumed that much buttermilk?

Q. That is just one consumer?—A. There are very few like that in the city of Montreal.

Q. I am just giving one.

Mr. SHAVER: Colonel Mullins.

The CHAIRMAN: Any other questions?

By Mr. Bertrand:

Q. How much do you pay for the milk, or how much did you pay for milk in the month of February, the association price?—A. This February?

Q. Yes.—A. 1933?

Q. Yes.—A. \$1.35 for the regular milk.

Q. How much do you pay for surplus?—A. \$1.10.

Q. \$1.10 for surplus milk?—A. Yes, \$1.10 for surplus milk.

Q. That is always, of course, less transportation to the producer?—A. Less the producer's delivery expenses, yes.

Q. Just about 25 cents per 100 pounds?—A. I could not answer that. It may be. It is whatever it costs him.

Q. Do you get your cream out of surplus milk, sweet cream?—A. A small part of it.

Q. Where do you get the balance?—A. We buy it from cream shippers.

Q. How much do you pay for your cream?—A. We have not got that figure here.

Q. That would be rather important to have.—A. I beg your pardon?

Q. Could not you have your secretary supply you with that?—A. We have not got that figure here with us.

Q. How do you buy your cream?—A. What do you mean?

Q. On the butter fat basis?—A. Yes.

Q. How much do you pay per pound of butter fat?—A. I told you I cannot answer that. I have not got that figure.

Q. Could not your secretary supply you with that?—A. We have not got it here. If we had it here, I would be very glad to give it to you.

Q. That is a very important matter. We understand that there is quite a volume of sweet cream sold under different classes of cream, which are called two-X I suppose or otherwise, and table cream and homogenized cream, and the like?—A. Yes.

Q. And if you just buy that on the butter fat basis, on what do you base your butter fat basis to pay the producer?—A. We buy cream from the producer on test, butter fat. Cream must be sold, according to the law, in certain specific standards, as the cap on the bottle in which the cream is sold must state what the content of that bottle is in butter fat.

Q. Would you explain how you work that out?—A. Very easily. It is worked out that if you sell 10 per cent cream, there is 10 per cent butter fat in the cream in the bottle. If you sell 30 per cent cream, there is 30 per cent cream in the bottle, and the same applies to 40.

Q. But you cannot give us the price you are paying for that cream?—A. No. I will be very glad to give it.

Q. And the price you are selling at?—A. I will be very glad to get this for you. I have concentrated more on milk here than I have on cream.

Q. Yes, but cream is apparently—the more we advance in this inquiry and the more information we get, we find that cream is a very big item.—A. Yes. I can answer that question in this way, that the price we pay for sweet cream is considerably in excess of the price of churning cream. It varies. It has a direct relationship to the price of churning cream.

Q. Now you said a moment ago with respect to prices, that certain members of the association or representatives of the association were getting together with the representatives of the producers and fixing the prices from time to time. On what basis do you fix those prices to be paid to the producer?—A. Well, through experience, there has been a set selling price. For instance, to-day or in January it was 11 cents, and if it comes about that there is a surplus of milk or a shortage of milk, either some member of the producers' association

or some of the distributors in the city will call a meeting, and at that time the price to the producer is discussed. Now, the price of cheese and the price of butter have a bearing on this price.

Q. What bearing has it?—A. It has this bearing; as I mentioned in my statement that there is anywhere, I believe, from 60 to 75 per cent more milk produced than is consumed; and if the price we have agreed to pay to the association is such that some of the producers who are only able to get an abnormally low price for cheese or butter that they are trying to find a market in the city at whatever they can get above those prices, that has the effect of breaking down the agreed price which we have with the producer. We find ourselves in the position of meeting cut price competition from two sources, cut price competition from the farmer or the producer, and cut price competition for our own distributor in the city.

Q. Would it be possible that you welcome competition from the producer?—A. I definitely state in this report here that our company adheres strictly to their agreement.

Q. Oh, yes.—A. And I can tell you frankly—

Q.—that is not my question at all. I am just asking if you welcome that kind of competition?—A. No, we don't.

Q. All right.—A. May I answer why we don't?

Q. All right.—A. Because that has a tremendous bearing, for the simple reason that I believe to-day that the producer is not getting enough money for his goods, and we do not welcome it because it is destructive competition. We welcome all kinds of competition, but not destructive competition.

Q. Well, taking it from this point of view, then, when you say that the price paid to the producer for the production of cheese and butter is a determining factor in the price that is to be paid to the producer who supplies you with fluid milk, is that or would it be a fact that you take into consideration the price or the value of that milk and adding a certain percentage of what you think it would cost to produce milk which you use as fluid milk, in fixing your price?—A. No, there is no such formula for working that out. We do the best we can with the producers. That is, we have tried to pay them as much as we can.

Q. There would not be another formula—would it be possible that you would take into consideration the possibility of your sales and deduct from that what you call your spread, to fix your price to the producer?—A. If we had done that, would I have been able to give you the figures that I did, that we are absorbing the quarter of a cent a quart for the ten months this year over the year last year?—A. We don't do that.

Q. A quarter of a cent a quart is not so very much?—A. A quarter of a cent a quart is a tremendous pile of money, in our volume; taking a quarter of a cent a quart on our turnover is an awful pile of money.

Q. A quarter of a cent a quart is only 10 cents per hundred pounds, is that so?—A. Pardon.

Q. Is it not a fact that a quarter of a cent a quart is only 10 cents per hundred pounds?—A. Yes; and on 22,000,000 pounds makes it \$22,000.

Q. 22,000,000 pounds?—A. 22,000,000 pounds, if I can figure properly is \$22,000. That is what a quarter of a cent a quart means.

Q. \$22,000 would not be so very much to you, because you said \$10,000 was not so very much in bottles?—A. Well now, that is a different proposition, of course.

Q. Yes, that is a different proposition for you, but not for the producer?—A. I would like you to believe me when I tell you that we are anxious to pay the producer a fair price, and that the reasons that we are not able to pay him a price to give him a fair return to-day, are reasons beyond our control; cheese, butter producers and irresponsible distributor competition.

Q. During the questioning of previous witnesses in this inquiry this question was put to one of the witnesses, "Then you take the possible selling price to the consumer and deduct your spread to fix the price to the producer"—

A. We do not.

Q. Wait a minute; it was one of the members who said that you sit amongst other representatives of the companies and the dairies, in fixing the prices, and his answer was this: "Yes, sir, which ever way it moves, the producer either gets it or it is taken off him."—A. I can only answer for myself, not for what somebody else has said.

Q. Well, you were sitting together apparently, according to what this gentleman said?—A. I might hear him say that, but that does not mean that I concur in what he says. I have given you figures there that our spread is a quarter of a cent less.

Q. Then when you sit together there are differences of opinion how to set this price, on what basis you do. I suppose you can't answer that, and I won't ask you.—A. What is your question?

Q. I said then when you are sitting together to fix the prices to the producer, there are different points of view on how these prices are to be set?—A. I should say so. We run our business.

Q. Now, in referring to this factor in fixing this price to the producer, this further question was put: "Do you take it from the possibility of the selling price and deduct your spread and give the balance to the producer?" Of course that is what happens?—A. Practically, yes; but there is this difference, that it is not all to the producer, as I have shown you from the records of this company—

Q. Yes?—A. —that our spread, the whole decrease was not passed on to the producer. I have already stated that. I have given you figures.

Q. We will admit that. Coming back later, you answered Mr. Brown a moment ago who put a question as to what the producer would get if the decrease—if your price was decreased to the consumer, and you said eventually if we have to lower our selling price of forty cents per hundred pounds, it has to be passed on to the producer?—A. That is true. And why? How are we going to be able to pay the producer for goods if we do not get enough for the goods that we sell to pay our labour, pay our operating expenses, and have enough left to pay him for the goods that we bought from him? That is the answer.

Q. That just makes the point that I was trying to get at, that your selling price is taken into consideration, your spread deducted and the balance given to the producer?—A. Everything is taken into consideration.

Q. All right.

By Mr. Pickel:

Q. Mr. Aird, what is the standard percentage of cream that you buy?—A. It varies tremendously.

Q. You said you bought at a certain standard?—A. No, I say we bought it on a test.

Q. Butter fat basis?—A. A butter fat basis, whatever the butter fat content may be.

Q. Here is cream, 35 cents. What standard would that be? What butter fat content would that be, 35 cents a pint?—A. I don't think I have our cream selling prices here. Have you got those, Mr. King?

Q. What do you sell your cream for?—A. Have you got those cream prices, Mr. King?

THE CHAIRMAN: You had better come up here. You may as well take that seat there.

The WITNESS: Can you ask me another question? I think I will be able to answer that.

By Mr. Pickel:

Q. Here is another item, 2-X cream; what does that mean?—A. I don't know. We don't sell 2-X cream.

Q. You sell just the one grade?—A. No, we don't. We sell various grades of cream. Some dairies call it various names. We sell, I think, these: 10 per cent, a 15, a 30 and a 40. I think I will be able to give you that just in a minute.

Q. Do you remember the price of your 40 per cent cream?—A. No. I think I will be able to give you that in a minute. I can't remember all those prices, unfortunately; they change so often.

By Mr. Bouchard:

Q. Is all your cream separated by separator?—A. We buy cream that has been separated on the farm. We sell a 10 per cent, a 15, a 30 and a 40.

By Mr. Pickel:

Q. What are your prices?—A. Per half pint, 8 cents for the 10 per cent, 12 cents for the 15, 20 for the 30 and 25 for the 40.

Q. And how does that figure out per hundred—do you buy it per hundred?—A. No.

Q. Do you buy it by the gallon?—A. No, we buy it by pounds of butter fat.

Q. Oh, yes. What price does that figure out to the producer, 40 per cent cream?—A. I can't answer that. I have not got that figure, but I can get it.

Q. You can get it?—A. Yes, I can have it worked out.

Q. Will you have it sent to the Chairman?—A. Yes, I will.

Q. Not only the 40 per cent, but the 10, 15 and so forth?—A. All right.

Q. Just how that figures out?—A. Yes. Of course I would like to point out on cream, that the returns of cream are exceptionally heavy; and that when cream comes back, there is only one outlet for it, and that is butter; and as we pay a premium for sweet cream, there is a very considerable loss entailed in that.

Q. Mr. Aird, how do you arrive at your surplus?—A. How do we arrive at our surplus?—

Q. Yes.—A. Each shipper is given a basis which consists of his average shipments for the six months from September to February. Now then, during this period the surplus is divided equally amongst all shippers. In other words, during those six months the producers that we are buying from ship us their goods, and they are establishing their basis during the short production season for the high production season.

Q. These are all treated the same?—A. Every one; except as I said—I would just like to point this out that the company I head and represent, Elmhurst Dairy, are doing perhaps a very high class business in a certain section of Montreal, Westmount, Outremont, and some of the higher class sections of the city, and for that reason we get a terrible decrease during the summer season. In Westmount, Notre Dame de Grace, and Outremont, where the bulk of our sales are, our sales will go down, I believe it is right to say, for some weeks as much as 35 per cent.

Q. Now, Mr. Aird, I have some milk returns here, and in the month of October last one customer who sent 3,900 pounds of milk was credited with 769 pounds of surplus.—A. That is about 20 per cent.

Q. Another one who sent 8,261 pounds of milk was credited with 678 pounds of surplus?—A. Yes.

Q. Another, 4,759 pounds of milk, 385 surplus? How is it that they are not all treated alike?—A. Just this respect: each shipper is given a base which

consists of his average shipments for the six months from September to February. I would like to point this out, that we have tried to co-operate with the producer to make it easier for him on his farm. When I say we treat everybody on the same basis, that does not mean that every producer gets the same surplus, for the simple reason that we believe, and our producers believe that the man who produces his milk in the winter time, with the expensive feeding and so one is entitled to more money than the fellow who produces milk in June, July and August. Now, our company has—there is a considerable amount of work entailed in trying to do this, but what we are trying to do by this policy is to even up the flow of milk from the producers from whom we are buying, so that we will have a more even flow of milk, and that surplus will be continuously less. That is why, Dr. Pickel, all producers do not get the same percentage of surplus; that is the reason. It is whatever his base is. I have one shipper that I was looking at just the other day, a shipper who shipped on a base of 75 pounds a day, and a couple of weeks ago was shipping us nearly 400 pounds. A producer like that, who ships you 75 pounds one day and then 400 pounds, it is impossible for us to operate with producers that way; and our producers I believe are satisfied with the treatment that they get from us, because whatever their base is, they know. It is not guess work. They know.

By Mr. Loucks:

Q. Would you say that there is no compulsion, that a producer can vary as much as that, from 75 to 400?—A. Yes.

Q. And there is no compulsion in your contract with the producer?—A. We have no contract except our word; and after all, that is a better contract than any written one.

By Mr. Pickel:

Q. Here is a gentleman who says that his dairy on the first of March paid 23 cents per pound butter fat?—A. Pardon?

Q. That is for cream?—A. Is that one of our shippers?

Q. Yes; with an average test of 30 per cent; that would be roughly 69 cents a gallon?—A. What month was that?

Q. March.—A. Have you got that bill? March of what year, this year?

Q. Yes.—A. March this year, he has not been paid yet. It is only March now.

Q. He said the first of March.—A. Well, he does not know.

Q. Paid 23 cents per pound butter fat. What are you paying per pound butter fat?—A. I could not tell you. We paid \$1.10. Was that man shipping to our Richmond plant?

Q. Yes.—A. To Richmond? That is butter, that is butter. That is not sweet cream, that is butter.

Q. That is butter?—A. Yes, absolutely. Twenty-three cents is a fair price for butter in a country plant, at that time. I don't know what it would be—in fact I do not think we know ourselves what it is going to be.

Q. It is figured out at 69 cents a gallon for milk?—A. I can tell you that we paid \$1.10 for our fluid milk for Montreal for the month of February, surplus.

Q. Now, Mr. Aird, yours is a subsidiary of Eastern Dairies?—A. Yes.

Q. Can you give us an outline of that organization, Eastern Dairies?—A. Yes.

Q. But first—just pardon me for a minute—you had a creamery at Richmond?—A. Yes.

Q. How long has that been established?—A. I think it is something around nine or ten years; I have not got the exact date.

Q. As far as the organization of your company is concerned, your company is part of the Eastern Dairies?—A. Yes.

Q. Who is the president of the company?—A. I am.

Q. Of Eastern Dairies?—A. Yes.

Q. Who is vice president? Just give us a list of them.—A. The vice president is Mr. P. A. Thompson.

Q. What enters into the organization of Eastern Dairies?—A. In Eastern Dairies, we operate in five cities, Montreal, Ottawa, Toronto, Hamilton, and Winnipeg—distributing companies in each of these cities. We have creameries, receiving stations and distributing depots out in the country to service these plants.

Q. What is the capitalization?—A. The capitalization of Eastern Dairies is—there are three million of bonds. There is one million seven hundred thousand underlying securities of our subsidiary companies, and two and a half million preferred stock of Eastern Dairies, and ninety-three thousand odd shares of common—no par value common stock.

Q. The capitalization is three million?—A. No, the capitalization is those figures I have read. There are four million two hundred thousand altogether of preferred 7 per cent, cumulative preferred stock; and three million of bonds, and 93,951 shares of common.

By Mr. Mullins:

Q. How much preferred?—A. There is two and a half million of Eastern Dairies preferred.

By the Chairman:

Q. Are those common shares no par value?—A. No par value, common, yes.

By Mr. Pickel:

Q. The total capitalization would be— —A. About seven million two hundred thousand.

Q. Under what name— —A. Really over nine million.

Q. Under what name are the Eastern Dairies operating in Toronto?—
A. Acme Farmers Dairy Limited.

Q. And Hamilton?—A. The same thing.

Q. And Ottawa?—A. The Producers Dairy Limited.

Q. And in Montreal you have just one?—A. Elmhurst Dairy Limited.

Q. One plant?—A. No, we have the main plant and two distributing depots.

Q. What is the name?—A. Elmhurst Dairy Limited.

Q. Where are the distributing plants?—A. Elmhurst Dairy Limited has two distributing depots, one in the northeast section of the city and one out in Verdun.

By Mr. Mullins:

Q. Is this stock listed?—A. Yes, on the Montreal Stock Exchange.

Q. How much common?—A. 93,951.

Q. No par value?—A. No par value.

Q. Ninety-three thousand?—A. Yes.

By Mr. Vallance:

Q. Might I ask what is the maximum amount of butter fat there should be in milk to be sold as milk, or what is the least percentage of butter fat that makes milk into cream; what is your lowest content in cream?—A. It

varies in cities. As we are talking about Montreal, 10 per cent. You cannot sell a commodity in Montreal as cream unless it contains 10 per cent or more butter fat.

Q. All right. I suppose your organization indicates to your shippers the most economical type of milk to deliver to your factory; that is the percentage of butter fat in the milk?—A. We do not.

Q. You do not?—A. No; we pay a premium. We want the best milk they can produce.

Q. Did I understand you aright when you said you bought all your milk on the butter fat content of that milk?—A. No, you didn't. We bought our milk at the association price, plus three cents for each one-tenth of one per cent over 3·5.

Q. Over 3·5?—A. Yes.

Q. Your 3·5 is the bylaw that controls the sale of milk. That is the lowest butter fat content you can sell.—A. No; we want to sell a high quality milk. In order to do so, we pay the producer a premium to encourage him to produce a high butter fat content milk.

Q. The point I am trying to get at is this: is there an average of butter fat in milk that makes it more profitable to the producer than either a lower or higher?—A. Not if a producer—I would say, if a producer has high testing cattle and he produces—if our price is \$1·60 for 3·5, and he gets three cents for each one tenth of a point, and if he produces 3·8 milk, he is going to get 9 cents a hundred more for his milk.

Q. The point I am trying to get at is this. The freight is so much per hundred pounds?—A. Yes.

Q. If he can produce and deliver to you a high butter fat content milk, he naturally lowers the freight charge for that milk because of the increased charge created by the increased butter fat?—A. Milk, I believe, is transported per can.

Q. A can?—A. Yes.

Q. Well, of course, there is a basis figured out on what a can would constitute?—A. Yes, it is per can; but that is not the way the railways convey it. The reason for paying the premium is to increase the production of better milk for three reasons. First of all, we want to sell the best milk we can get; it is not too good. The best is not too good. We want to sell the best milk we can; so we encourage that production by paying a premium to the producer; and as you gentlemen all know, there is surplus milk, and the higher the butter fat content of the surplus, the more the producer is going to get for it, and the more that we are going to be able to get for it. It is economical to do that.

Q. Well, your company is not in a position to say to a producer, if you produce milk, we will say, of 4·8, which is produced in some dairies—A. If a producer produced 4·8 milk we would be wondering—unless he has a special type of cattle—about the production of milk, where it is coming from, and we would be investigating to find out.

Q. You would not say it is not possible?—A. No, it certainly is possible with special types of cattle, Jerseys.

Mr. BROWN: Some Ayrshires will, too.

WITNESS: Individual cattle, but not as a herd.

By Mr. Vallance:

Q. The point I want to get at is this: is there a milk of butter fat content that would give to the producer, taking into consideration freight and everything else, a greater return for his labour than any other plan?—A. I can see what you are driving at, but unfortunately I cannot answer that question, I do not know.

Q. Some say it depends on cattle? What is to prevent a shipper separating some of the milk and adding milk from certain individual cattle, because there are individual cattle in this country that could not come up to the standard set by law?—A. For the simple reason that it is illegal.

Q. In order for him to make his milk come up to the legal interpretation of what milk is, he must add butter fat to it from some source, either by the mixing of 4·8 with 3·5 or something else. It seems to me the producer to-day, should be told by your organization, if you like, that in order to get a greater percentage of profits on his investment, he should deliver 4·2 or 3·8, or whatever it is.—A. I can tell you this, sir: it is a thing we do right along, try to encourage the farmer. There are a lot of people telling the producer what he should do, but we are paying this premium to help out that very thing, to encourage him to produce a higher testing milk.

By Mr. Mullins:

Q. Do you operate any dairy herds yourself?—A. No.

Q. You have no dairies; you just purchase?—A. We purchase all our milk.

Q. There are four of you in Montreal, four large companies, is that correct?—A. Well, we call ourselves four large companies sometimes, it all depends; there are all sorts of companies. There are four large ones.

Q. Who owns the J. J. Jubert Company, your association?—A. You will have to ask somebody from that company; that I cannot tell you; that I do not know.

Q. You are not affiliated with it?—A. No.

Q. It is a separate company?—A. Absolutely.

Q. A separate organization?—A. Absolutely.

Q. Who comprises the board?—A. Of our company?

Q. Yes.—A. The directors are—

Q. I mean the directors.—A. A. J. Nesbitt, C. B. Price, P. A. Thomson, H. R. Trenholme and myself.

By Mr. Tummon:

Q. Are you able to give us the average price per hundred pounds for the year 1932, the cost price?—A. For the year ending March 31, 1932, the average purchase price of all milk, including surplus, was \$1.60 per hundred pounds.

Q. You have not the figures, then, for the year 1932?—A. No; unfortunately, as I said, our year ends in March.

Q. Can you conveniently furnish the committee with this information?—A. Yes.

Q. Would you do that?—A. Yes.

Q. Can you tell the committee about when it was that the chain stores first started selling milk in Montreal?—A. Well, they have always sold milk from the time they opened.

Q. From the time they opened?—A. Yes.

Q. At what price were they selling that milk up until, we will say six months ago?—A. They were selling their milk at the same price as we were selling ours.

Q. At the same price you were selling yours?—A. Yes.

Q. Last night in one of the Montreal papers, I noticed an advertisement, advertising milk at seven cents per quart, value 10 cents per quart. That is not your milk?—A. No, sir.

Q. I presume that store must be buying its milk at about one cent less per quart—anyway, you probably would not know.—A. I should imagine so, I don't know.

Q. About when did chain stores start to feature milk?—A. Well I would say somewhere around last fall, possibly June, last June.

Q. When we mentioned the word "feature" what is meant there?—A. Well, at that time I understand milk was sold in Montreal—our price last June was, I think, 10 cents a quart, and for a short period, they were selling milk at 5 cents a quart.

Q. Certain chain stores?—A. Yes.

Q. Were featuring and selling milk at 5 cents a quart?—A. Yes.

Q. While the distributors were selling at 10 cents?—A. Ten cents.

Q. Up to a certain period, Mr. Aird, the chain stores, you say were selling milk at the same price that you were distributing?—A. Yes.

Q. Now, I think you have told us that they were selling milk at eight cents per quart?—A. Yes.

Q. The ones that you were selling were buying from you at 7 cents?—A. Yes.

Q. What about the conditions that made the change?—A. That will take a long time to tell you.

Q. It is interesting?—A. We were supplying one of the groups of chain stores in Montreal at our regular prices, and they were selling at our regular prices; and because of competition which they stated they were getting from one of the other chain stores, they demanded from us that we sell them milk which enabled them to sell at 7 cents. Well, for us to buy milk and handle it properly and deliver to them, that was an utter impossibility. We refused to do that. Then they started looking around to see what they could do. They no doubt were able to find somebody who would sell them milk to sell at that price. They also investigated—I am telling you the story as we know it from our talks with them—and went so far as to consider starting up a dairy of their own, to handle their milk. They definitely stated to me, and I discussed it with them, that they did not want to go into the milk business; they did not want to sell milk at lower than our price, but this competition was forcing them to do it. In order to protect our business, it was no joking matter, there was only one thing for us to do, and that was to try to maintain our connection with them. We have to get any money that we do get out of this business, we have not got a thousand things to sell, neither has any producer from whom we buy a thousand other things to sell on which to make money. And to protect ourselves, and to protect our producers—I am sincere when I say that—to protect both ourselves and the producer, to maintain a market for their milk, we were forced to give way and finally we offered to make arrangements with the stores that we did business with to sell their milk at one cent higher, or sell our milk at one cent a quart higher than the other store they were competing with, and that is what they are doing at the present time.

Q. As a result of the sale of that milk to the chain stores, what happened to the price to the consumer?—A. Well you cannot have stores selling milk at a great deal below your wagon price, and maintain anything like a volume on your wagons that is going to allow you to stay in business. They do not all go; they do not buy all their milk, as I pointed out, a great many of our customers buy a portion of their milk from their store, and depend on us for the actual service.

Q. You reduced the price of milk on your wagons?—A. We had, in order to protect ourselves, to reduce our price to the consumer.

Q. By how much?—A. One cent a quart, and up to now have not passed any of the reduction on to the producer, not because we can afford to do it, not because we can afford to absorb a cent, but simply because of the deplorable condition in which we find our producers, and ourselves at the present time. We are trying to carry on right along with them.

Q. Would you say that it is a fair thing to presume that if that keen competition given by the chain stores featuring milk continues, the producer will eventually be called upon to take a reduction in his prices.—A. I do not think there is any doubt.

Q. What, in your opinion, is the best method of delivering milk?—A. That is a tall question. I have spent twenty-six years of my life in the distribution of food. I am not going to make a speech, but tell you the facts. In order to properly service a city's milk supply, some type of house to house delivery is essential. Everybody cannot go to the stores, and if they could, the stores are closed approximately twenty per cent of the days in the year, and practically all nights. Now, people must have milk; babies must have milk when they need it; invalids must have milk, and in my opinion, based on experience, the most economical in the long run, is for all of the milk possible to be delivered by some type of vehicle direct to the homes, and the stores selling milk as a convenience only. Now, there are a lot of reasons why that should be done.

By Mr. Dupuis:

Q. Is there similar competition in other large cities? I understand you are speaking of Montreal now?—A. Yes.

Q. I heard you say you had plants in other large cities?—A. Yes.

Q. Is there similar competition in other large cities?—A. Very similar.

Q. In Toronto?—A. There is no chain store competition in Toronto.

Q. Is there any other store that sells milk?—A. Only in Winnipeg.

Q. Only in Winnipeg?—A. Yes, that is, in the cities in which we operate.

Q. Would you file with the committee average costs of distributing milk?—A. I have already given all those figures.

Q. Are you of the opinion that it would cost less to the consumer if there were only one distributor in large cities?—A. Naturally.

Q. How many distributors are there in Montreal?—A. There are, I think, 400 and some odd; I have not got the exact figures, but it is something like 410.

Q. In Toronto?—A. I have not got the figures, but I would say somewhere under 100.

Q. Under 100?—A. Yes.

Q. Is the price of milk less in Toronto than in Montreal?—A. No, the price of milk is less in Montreal to-day than in Toronto.

Q. What is the selling price per quart of milk in Toronto?—A. Ten cents.

Q. And in Montreal?—A. Nine cents. Of course, where the situation in Montreal has become acute since the first of March, it has changed the picture. The price should be ten cents.

Q. How much do you pay in Toronto and Montreal?—A. Well, milk is purchased on a different basis in Toronto to what it is in the city of Montreal.

Q. What is the basis?—A. In Toronto, milk is purchased delivered to the plant.

By the Chairman:

Q. Where?—A. In Toronto, delivered into our plant door; and the price compares very very favourably, there is practically no difference on the milk, because when we add to the cost of milk coming into the city and the cost of bringing it to the plant—

By Mr. Dupuis:

Q. What do you pay the producer in Toronto?—A. I think it is \$1.40 delivered to our plant.

Q. Right to the plant?—A. Right to our plant door.

Q. Did I understand aright that you said in 1932 in Montreal you paid \$1.60?—A. Yes, but you have asked me the price of milk in Toronto, not in 1933, and I am quoting the price to-day in Toronto.

Q. You do not know the price for 1932?—A. No, I have not got that, but I would say it compares very favourably with Montreal; they are practically the same all the way along.

Q. Winnipeg is much the same?—A. No, unfortunately.

Q. How do you sell milk in Winnipeg?—A. We are operating in Winnipeg at the present time under the rules and regulations of the Public Utility Commission. Our selling price for milk to-day is 10 cents delivered to the home. We get $7\frac{1}{2}$ cents when we deliver to the stores, and the store sells at eight. It is a very undesirable situation.

Q. Is there a similarity between the spread in all those large cities of the buying price and selling price?—A. Taking the different things into consideration, yes, they are practically—

Q. The spread is about the same?—A. Except Winnipeg.

By Mr. Mullins:

Q. What is the name of the company in Winnipeg?—A. The Crescent Cream Company.

By Mr. Bertrand:

Q. You said you had about \$9,000,000 in this firm as the capital a while ago. Is that the whole organization of your company, including eastern dairies, and so forth? Can you give us the amount of capitalization for the Montreal plant, Elmhurst dairy only?—A. Yes. It is about $8\frac{1}{2}$ millions in the plant, and the other figure for the Eastern Dairies is about $8\frac{1}{2}$ millions.

Q. For the Montreal plant?—A. No, the Montreal plant consists of 12,500 shares of no par value stock.

Q. That is all?—A. That is all, it is a wholly owned subsidiary.

Q. It consists of 12,500 shares of no par value stock, and to find their value you would have to go to the curb market to find their real worth?—A. Not at all; you do not find value of stocks on the stock market.

Q. What do you say your shares are valued at? At what are your shares reported?—A. That is a hard question. I do not think it is a question I would care to answer.

Q. If you are going to find out the amount of profit you are making, and what constitutes your profit per quart, we must find that.—A. I would be glad to file with the Chairman a statement of our balance sheet.

Q. Very well, that will be satisfactory. Would you also file with the Chairman a statement of the quantity of cream that you have purchased from milk skimmed in your plant?—A. Offhand?

Q. Offhand, during the last fiscal year, or the ten months of the last fiscal year, and the amount you had to buy from other places, stating where you bought it from.—A. Now, just a minute. I do not know that it would mean anything as to where we bought it from, or who we bought it from.

Q. Yes, it would mean a great deal. If we find out that your company has bought a lot of cream or milk and is selling a certain amount to a subsidiary company, it would help us a whole lot.—A. We do not do that. When we buy, the man we bought it from gets paid for it, and it is a purchase.

Q. Let us have the figures and satisfy ourselves.—A. It is a long list of names, Mr. Chairman. We buy from, I suppose, a thousand or two farmer producers, and to make a list of that sort showing that we bought fifty pounds from one man and fifty pounds from another, and so on, would take a month of Sundays.

Q. I will change my question and put it this way. What quantity was purchased from the producers or other dairies, and what quantity was purchased from other branches of your organization?—A. Yes, right. We do not buy from branches, we transfer.

Q. Very well. Then was the price paid for same on a butter fat basis, and the price that you are selling your cream per quart to the consumer?—A. I do not know whether I can answer all those questions, but we will to the best of our ability.

By Mr. Pickel:

Q. Can you give us any idea as to the cost of pasteurization?—A. Well, it is very hard to single out and say the exact cost of one method through which milk passes. I gave you the cost of dairy expenses.

Q. To shorten it up, we have had one witness here who told us it cost from five to six cents a gallon to pasteurize milk; is there anything to that?—A. I cannot speak for any other witness, but I can tell you this; it cost us 1.52 cents per quart to put it through our plant, and that is a little over six cents a quart.

Q. That covers all?—A. That covers all, the whole expenses.

Q. Bottling as well?—A. Yes.

Q. Do you sell certified milk?—A. No, sir, nothing but pasteurized.

Q. Have you any other plants outside the Richmond plant?—A. No, not owned by the Montreal subsidiary.

Q. Who are the stockholders of it?—A. Elmhurst, Eastern Dairies, Limited, or the directors with qualifying shares. All of the stock is held by the Eastern directors, except the qualifying directors' shares.

By Mr. Donnelly:

Q. I should like to ask the witness if he would file with the committee the complete financial set-up of this company since its inception, showing the amount of money put in, the amount of dividends paid, and the amount of money paid in from year to year since the inception of the company, in order that we may be able to arrive at some idea of the financial position of the company.

By the Chairman:

Q. Do you mean the Elmhurst or the Eastern?—A. I mean the Eastern Dairies.

By Mr. Donnelly:

Q. I would like to ask the witness if it is not a fact that all cream and milk going into the city of Montreal has to be pasteurized?—A. Yes, in the city; it must be pasteurized in the city.

Q. Is it possible for a producer to go to one of your dairies and have his milk pasteurized and then distribute it himself?—A. Not with us.

Q. You do not do any of that?—A. No.

Q. Are there any small dairies doing that business in Montreal?—A. Not that I know of, there may be.

Q. Are there any here in the city of Ottawa?—A. I cannot answer that; there may be. We do not do it.

Q. You do not do it?—A. No, sir.

Q. In any of those cities, do you know that there are dairies where milk is being pasteurized for the producers and the producer allowed to distribute it after?—A. I cannot answer that, I do not know of any. I know there are a lot of dealers buying milk from pasteurizing plants.

Q. I am pretty sure that there are small pasteurizing plants doing pasteurization for producers and allowing the producer to charge a cent or a cent and a quarter, depending on the amount of milk he brings in for pasteurization, and then allowing him to distribute it in the city.—A. There may be, but I have no definite knowledge of any one.

By Mr. Bouchard:

Q. Following the question that was put to you as to the best way of distributing milk, may I ask a question, without taking the trouble of reading a letter which was passed on to me by Mr. Power. It is more of a suggestion upon which I should like to have your opinion. It is a suggestion from Mr. L. G. Turgeon of Quebec. He suggested that as there are in the city of Quebec about 300 distributors of milk, the city should be divided into ten different zones, and in each of the zones there should be ten distributors and each distributor will be confined to his particular zone for his business. In that way there would be ten different distributors competing with each other in each particular zone. I should like to have your opinion on this suggestion.—A. Let us take the city of Montreal. I suppose most of you gentlemen are familiar with that part of the city known as Notre Dame de Grace in the western section of the city. Then, take the section of the city that I happened to have been born in. When I was born, there were fairly decent respectable people living there. To-day, what is it? Manufacturing, practically nobody living there. They have all moved out to Westmount, to Outremont, to the north end, to Notre Dame de Grace. Now, supposing I find myself in the position of having that zone, I am automatically going to go out of business, and if you carry that along far enough, and not give me a fair chance to continue, in a very few years you are going to be back where you are now. I do not believe it is possible.

By Mr. Loucks:

Q. What was the butterfat content of the sweet milk delivered to your customers?—A. It is around 3.7; it varies through the year as the cows freshen.

Q. Is there any minimum standard?—A. 3.25 is the city minimum.

Q. The city decides that?—A. We have our own chemist.

Q. And this milk which comes from the chain stores and is sold cheaper than you are selling it must come up to that standard?—A. Supposed to, yes.

By Mr. Spotton:

Q. I wish to congratulate the witness on the fine evidence he has given; but in Ontario that name, Aird, means investigation?—A. It also means that in Quebec.

Q. Now, you gave us the different percentages in the making up of the spread at so much for bottling and pasteurizing and it comes to so and so, and leaves a certain percentage per quart to profit. Now, I think that this committee should have more than that. I think that this committee should, if they are going to get to the bottom of this thing—and if they are not going to get at the bottom of this thing I am going to withdraw from the committee—should go much further than that. Some of us are growing old, and if we are going to do anything for our people I believe now is the time; and this is only a forerunner of other instances like packing houses and stockyards that are going to be brought on the carpet. Now, I am not finding fault with your figures, because figures cannot lie; but accountants are wonderful figurers. Now, that is a nice statement you have given us if I am to open my mouth and close my eyes and just take that in and say that tastes all right. But I want to go back further—and this, perhaps, is not for Mr. Aird—this will be rather something for the committee to decide. I have not been here at all of the meetings of the committee I regret to say, but one manager gave us his salary at \$5,000 with \$4,500 for travelling expenses, and another one gave us something similar but reversed—I think it was about \$4,500 for salary and \$5,000 for travelling expenses. Now, we would like to know how your per-

centage for executive is made up. You know that Andy told Amos that he would do the thinking as he was the executive and he had to do the thinking, but the moral to that is this, that the producer no longer is going to come up against any kind of a wall and be told, "here are the figures; take them or leave them." Now, if that is to be the attitude of this committee, I am not going to waste any time; I am going to go out and make snowmen—it will be more helpful. But I would like to get at the details of your capitalization first, of your parent company, of the subsidiaries which you have brought or have started and other capitalization—your salaries, your sub-subsidiaries, your interlock directors— A. There are none.

Q. Your public stock, if any, is issued, whether you have split it in fours or fourteen. I want to know what your horse feed costs. I think one gentleman said that it took about \$170 for a horse and \$60 a year to shoe him. Now, they might tell the chinamen that, but you cannot tell the farmer that. Now, perhaps that is in your figures—I am not saying it is or not—but I am from Missouri, Mr. Chairman, and I say that so far as I am concerned a real qualified accountant or auditor should take a view of these companies and give us in detail just how these different items in the spread are made up. We have heard nothing more today than we heard several weeks ago; it is the same old story, and it is all about the same. But if we are going to satisfy the people that a man starts his business with \$250—the member for Wentworth tells me it was \$150—and builds up a plant worth \$2,000,000 which is owned by himself and his son and his daughter-in-law and his son-in-law or his aunt or grandfather—just a family connection—and it is not all there; he is wise enough to have something in Victory Bonds, because he is a shrewd business man with reserves in addition—now, that is much better than farming. What I want to get at, and I am not asking for a decision of the committee today, although I am asking for a decision of this committee after they have considered this matter—the next time we meet we should go at this thing like men and not like a lot of kindergartners. I think it is very necessary that we should know how this spread is going. We should have more than just a financial statement—no doubt carefully prepared and brought in here and accepted by us. I want to go back and find out if this statement is correct. I am not going to ask this gentleman his salary or the salaries of the various men, because you, Mr. Chairman, did not give a ruling. One firm gave us that information another firm refused to give it. Now, we are sitting here representing the Supreme Court of Canada, the parliament of Canada, and if our reference will not allow us to get all the information we want then I think we should refer this matter back to the house and get that permission and then go at it like men, instead of sitting here every day and have the same old story and wearing larger patches in our pants.

By Mr. Wilson:

Q. Mr. Aird, I would like to ask you one or two questions. You referred today to a branch in Winnipeg—A. Yes, sir.

Q. It was under the Public Utility Board?—A. Yes, sir.

Q. Do you like it under the Public Utility Board?—A. No.

Q. Is the price fixed to the producer under Public Utility?—A. Yes.

Q. Is the spread fixed under Public Utility?—A. No.

Q. Are you sure of that?—A. Positive; for this reason, the selling price is fixed but not the spread.

Q. The selling price is fixed and the price is fixed to the producer?—A. Yes—No. I can answer that in this way. You can set the price to the producer, and you can set three or four selling prices, but you do not set the spread for the simple reason that at the time that that ruling came into effect our price to the

consumer was 10 cents and our price to the stores was $7\frac{1}{2}$ cents, and our percentage of sale to the consumer direct was so much at 10 cents, but unfortunately our sale to the consumer has slipped about 45 per cent, where it used to be 80 per cent, and we are getting $2\frac{1}{2}$ cents a quart less, which is almost a dollar a hundred with which to pay the producer, and we are losing money.

Q. Is the price set to the producer?—A. Yes.

Q. What is it?—A. It is about \$1.55 average, I think.

Q. Is that for the whole year around?—A. It was set subject to change.

Q. Who sets the price in that connection?—A. The price was set by the Commission.

Q. Do you think the way the price is set now is a fair one to the producer?—A. No, I do not. I do not think it is fair for two reasons: it may not be enough, and it is too much over butter.

Q. Would you be averse to someone sitting in there along with the representative of the producer and of the distributing companies as a man who would have some say, because you must admit that the producer has no say now?—A. I do not admit that.

Q. You do not?—A. No, sir.

Q. Well, in all the evidence I have heard, even in your own evidence, the producer has no chance of getting his own back?—A. There has never been a meeting, I think, in the city of Montreal with our producers where the producers have had a grievance.

Q. Because they have had to accept?—A. They do not have to.

Q. If the producers do not agree, do you cut any of them off? In any of your distributing plants, if the producer does not agree to a thing, is he cut off from sending milk into your plant?—A. No. Because he continues to ship.

Q. You do not know of any instance of a producer being cut off?—A. Not personally, no; I do not.

Q. Perhaps you had better investigate some of your outside plants.

By Mr. Dupuis:

Q. Have you your books here?—A. I have some.

Q. Could you find out from your books if there are some producers cut off?
A. I do not believe there was one.

By Mr. Vallance:

Q. Is your cost of distribution in various cities about the same?—A. Taking the various things in the cities into consideration, yes; there are some of them that are comparable.

Q. And your volume of business would not determine the distribution of it?—A. No.

Q. I was rather interested. I am somewhat like my friend Mr. Spotton, I have not been privileged to attend every meeting, because of other meetings I had to attend. In looking over the evidence given by some of the previous witnesses I noticed that in giving financial statements, speaking about the same thing as my friend Mr. Spotton, it seemed to me that there should be a further investigation of the whole set-up of most of these companies.—A. May I just say this, that these figures that I have presented to you to-day, gentlemen, are correct; and if you want to send an auditor into our plant we would welcome him to go through our things. If the insinuation is that these figures are cooked figures I'd like to see somebody go in and check them. These aren't cooked figures, I don't give cooked figures.

By Mr. Spotton:

Q. We are from Missouri.—A. Well, you are welcome to see them.

By Mr. Brown:

Q. I don't say the figures are cooked up. Still there are some details we would like to have in order that we may arrive at our own conclusions. For instance, there was a statement made about the annual cost of wagons and sleighs. Just take that one item, wagons and sleighs. In one case it was nearly \$4,000, and in another it runs \$3,000, then further on in the same statement there is depreciation allowed on delivery equipment, and that includes \$7,297.61. Now, I would like a fuller explanation as to why in the one case they should allow an annual charge of \$3,000 to \$4,000 on wagons and sleighs, and then later on depreciation of something over \$7,000 on delivery equipment. Now, that may be all right, but there is nothing here to show us that it is all right, and the present witness has not even submitted details to that extent, and I really think there is something there that should be investigated, and when this company comes before us again I am going to ask for an explanation on that point. I would like this witness to furnish us with similar figures in regard to his own company. It is all very well to say that the expenses of delivery are a certain percentage of the spread, or of whatever it is based on, but it does not really give us very much information, and I heartily back up what Mr. Spotton has said—if we are going to get anything that will satisfy the people, we must have more in the nature of information than has been given to us so far, on this matter of delivery charges, and just what makes up that spread.

By the Chairman:

Q. I would like to ask a question or two, if I might. The estimate that you gave, Mr. Aird, bearing on the cost per quart, was for fluid milk, was it not?—A. Yes.

Q. Well, in your statement, speaking generally, have you segregated your operations in fluid milk and cream?—A. Not generally; no.

Q. You mean to say that you have not separate accounts for, say, butter-milk; for cream; and for butter?—A. No.

Q. Well then, in your distribution of costs for instance, on the same wagons you will have fluid milk, you will have buttermilk, you will have cream, and perhaps butter?—A. Yes.

Q. How do you estimate your distribution cost on fluid milk? How can they be estimated as you have them there?—A. These expenses are supplied for the various products sold, in their proportion. For instance, labour that goes into the making of butter, is charged up to butter, the labour in handling milk and cream is charged to milk and cream, and these figures here are taken and the milk is charged with a fair proportion of them—we don't do that generally for our own use only at the end of the month, month by month.

Q. Well then, the fact of the matter is that the committee is suspicious that perhaps higher profits are being made in these other operations than the fluid milk, and that that is where the bulk of your profits come in, and they haven't been accounted for. I think that is a fair statement of the attitude of the committee. What have you to say in regard to that?—A. Cream is profitable.

Q. More profitable than your .3 cents—what did you say it was a quart?—A. Our .5 cents, yes.

Q. So that, after all, in your operations you are only giving us a part?—A. Milk only.

Q. Part of your operations, part of your profits—you have not given us the whole story.—A. No, I am dealing with milk only here.

By Mr. Pickel:

Q. What about ice cream?—A. We don't sell ice cream in Montreal.

Q. You don't handle that?—A. No.

By the Chairman:

Q. It seems to me very important that we should have the whole story in regard to your operations?—A. I will be very glad to give it to you.

Q. The product all comes from the farmers in the first instance, and if you are making higher profits in some cases than in others, in some branches of your business than in others, we should know the whole thing. I want to ask you another thing, too; the question was asked the other day, the matter of salaries was brought up—are any of your profits hidden in your salaries?—A. No sir.

Q. I am not suggesting that they are. You stated you made a profit of .3—A. .53.

Q. A profit of .53 cents a quart. Are you paying your depreciation, your operating costs and your capital charges out of that, and still making a profit to-day?—A. We have the other products as well, that is only the milk part of our business.

Q. Another question. The city of Winnipeg, I understand, has a Public Utility Board governing the sale of milk, to a certain extent, within the city. Do they prohibit the featuring of milk on the part of the chain stores?—A. Yes, the price for the chain store is set at two cents below our wagon price and they have inspectors checking up continuously on that.

Q. But they don't undersell?—A. They are not allowed to undersell that.

Q. Another question then, in the matter of bottles, would you object to some kind of compulsory legislation in making all the companies and all the distributors charge for their bottles?—A. I would not object to it, but we would have a terrible time to do it, it is almost impossible.

Q. You don't think it is possible?—A. No, I don't think it is possible.

Q. Well, why is it possible in the case of other drinks; it is done in almost every other thing.—A. For the simple reason, sir, that we have a definite contact with our homes 365 days of the year, and take in the case of ginger ale, or something like that, they leave it by the case, there is a fairly big charge for the case and the bottles, and it is intermittent delivery, and when you try calling at a home 365 days in the year—the actual bottle loss, about 70 per cent of that comes as breakage. You must remember that here with the severe winter conditions that we have to contend with, these bottles break. The cost of doing that, sir, I am afraid, will be equally as much or more than the bottles.

By Mr. Brown:

Q. You spoke about the ginger ale bottles, are you aware whether or not the companies that own those bottles charge their customers for them if they are not returned?—A. I think they do, as a general rule. I don't in my home. On the bottles that come into my home, there is no deposit on them, for ginger ale; I am pretty sure of that.

Q. Surely, there is a strange situation if the manufacturers of ginger ale who distribute their product in bottles are able to collect the price of the bottles from the customers and the milk producers can't. I think that is a story that is absurd, I would look into it.—A. It is just one of those things that are in the business that are pretty hard to explain away, but the fact remains that it is there.

Q. Yes, but it is one of those things that is put right back on the farmer, but he is most helpless in a case of that kind, and I think the public should know that.—A. No—

By Mr. Dupuis:

Q. In the city of Montreal, Mr. Chairman, I am sure by experience that when we break a bottle the distributors charge us for it. I have never known a company in Montreal who does not charge for these bottles.—A. Do you buy your milk from the store? If you buy your milk from the store, yes.

Q. No, not from the store, from the distributor, like your company or Joubert's, or any other company. If a consumer breaks a bottle, he pays for it.
—A. We try to keep or bottle losses as low as we can. If we find a consumer breaking bottles, we will try and collect from him.

Q. I never had any milk from your company, but I had milk from many other companies when I lived in Montreal, and they charged it. I just say that for the benefit of the committee.—A. If you were buying milk from our company, and broke a bottle, we would not charge you for the bottle.

Q. You don't have your books showing that?—A. I beg your pardon?

Q. I believe you said a few minutes ago that you can send an investigator?
—A. Yes, surely.

Q. If that charge is made against any customer, it would be in the books?
—A. Surely, if we can find them. But they won't be there. We don't do it.

Q. I don't see how you can find out?—A. We have had one investigation last year already, and frankly, gentlemen, we rather welcome you to satisfy yourselves that these figures are right.

Q. I want to go back to another question, as put to the witnesses. You gave us a price in other large cities in Canada. Would you tell the committee if the milk is pasteurized in all other large cities? Is it pasteurized in Winnipeg?—A. No.

Q. No; is it pasteurized in Toronto?—A. Yes.

Q. In Ottawa?—A. No.

Q. No. Is it pasteurized in —A. Hamilton is the other; yes, I think so. Of course, in each of these cities they are allowed to sell certified milk.

Q. In cities where it is not pasteurized, do you charge less for the milk?—A. No; because we only sell pasteurized milk.

Q. You sell pasteurized milk in Winnipeg?—A. Yes, only; I would not sell anything but pasteurized milk.

Q. You are not compelled to, but you do it?—A. We are not compelled to, but we do it.

Q. I see. Would you tell the committee if the price of distributing is lower to-day than it was years before; for instance, in the last four or five years back?
—A. I only have here—I would be very glad to answer that if I had the figures, but I have not got them with me. I could supply them. This gives us the list for the ten months ending January 31 this year.

Q. Could you give the committee the costs for 1931?—A. I have not got that here, but I can get it.

Q. By memory you could not tell the committee what is the cost of distribution for 1928 and 1929?—A. Approximately the same as to-day. I believe our actual expenses are down, but our sales are down, and when you bring it to a quart basis, I think you will find it will compare just about the same.

Q. Could you give the price, the salary you pay to your distributors?—A. Yes.

Q. How much do you pay them?—A. Yes, I can give you that.

Q. How much?—A. They are paid on a commission basis.

Q. No salary?—A. It varies. A stated salary—they are paid a definite salary and a commission. I have not got that here. It varies quite a bit, depending upon the district.

Q. Would you give that to the committee?—A. Yes.

Q. Now, could you tell me by memory if the price that you pay the farmer is lower or higher to-day than it was four or five years ago?—A. Lower.

Q. How much did you pay in 1928 and 1929 up to date, year by year, an average?—A. I go back here as far as 1927. The summer price was \$2.03; the winter price was \$2.80. In 1928, it was \$2.80 for the winter and \$2.03 for the summer; in 1929, it was \$2.81 and \$2.39½. In 1929—

Q. That is 1929 you gave?—A. That is 1929, yes, \$2.81 and \$2.39½. In 1930 it was \$2.81 and \$2.03; in 1931, \$2.40, \$2.03, \$1.70.

Q. \$1.70?—A. \$1.70.

Q. What is that?—A. That was from June to April—June, 1931, to April, 1932. It stayed constant at \$1.70.

Q. \$1.70; could you give that by the quart?—A. Yes. What the producer received?

Q. What the producer received, yes. I just want to know—some of my colleagues in the committee want to know what you sold it to the consumer for by quarts, the same year?—A. Well, the high price for a quart of milk in Montreal was 15 cents.

Q. In what year?—A. That was in 1929, December.

Q. What was it in 1927?—A. It was around—it was 14 cents, I think it was; 14 cents.

Q. In summer and in winter?—A. No, it would be—I have the actual figures from 1930, but no further back for all the months.

Q. For the summer you have not got the figures?—A. Yes, I have from April, 1930, up to the present.

Q. But not since 1927?—A. No.

Q. You have not got for 1929?—A. No; I can get that.

Q. Could you provide that?—A. Yes.

By Mr. Taylor:

Q. I have here the report of the third meeting of the committee on the 7th of March, when Father Lebel was before the committee, and this is the statement he made:—

Now, if we have to find similar prices to retail prices in former years we have to go up to 1912 when the retail price was 8·6 cents; in 1913 it was 8·8 the quart, and on that year the price received by the farmer was 5 cents, and the price of the distributor was 3·8 cents. And, if you remember, in that time nobody complained that the price then paid was too high—8·8 cents; suppose that in the winter months the price was 11 and 10, and that in the summer months the price was 8 and 9 and nobody complained that the price was too high, and then the farmer received 5 cents and the distributor 3 cents.

Now, I would like a word of explanation, if you can give it, Mr. Aird, as briefly as possible why you think now that the distributing price should be 5·17 cents, as you say, and the price to the producer 4·98 cents a quart?—A. Just this, that to-day the distributor does a great deal more than the distributor did in those days. You will find, if you go back at that time that the most of the milk was brought in by the producer himself in a can, run up the stairs with the small can, and measured in it, and filled the jug and so on and so forth, and the costs were borne by the housewife in sterilizing her utensils, and so on and so forth. That is before pasteurization. I am only speaking about the company that I represent.

By Mr. Dupuis:

Q. I just want to stop you there; you say in those years; that was in 1912, around there?—A. Well, you went back to 1904, I think.

Q. 1904, all right. During those days did you have the machinery that you have to-day?—A. But, gentlemen—

Q. To fill bottles, clean bottles—all that machinery?—A. I think you are comparing different figures. You cannot take a group of figures in one city where some distributors are distributing pasteurized milk and others are dis-

tributing raw milk, and the producer coming in himself and selling at an exceptionally low price and losing the money that they do lose, as some of them do in some cities.

By Mr. Taylor:

Q. That is for Montreal in 1913?—A. All right, in 1913; pasteurization became compulsory in July, I think, 1925; and I cannot tell you offhand how many companies were pasteurizing milk at that time, but if you are comparing figures for that period, with the ground of people who were delivering raw or pasteurized milk, and comparing it with our company's figures to-day, with the sanitary conditions that we have in our plant, and comparing that with decanning stuff out of a can, gentlemen, you are asking me to explain something that is entirely different. It is not a comparable thing.

By Mr. Spotton:

Q. When did you first start to bottle milk?—A. Our company started to bottle milk in 1910, pasteurizing in 1915, ten years before it was compulsory.

By Mr. Dupuis:

Q. I understand the witness told us it cost more because conditions are not the same?—A. Yes.

Q. Well, I understand that your company, like other large companies, has machinery that does the work that formerly was done by employees. Does it cost more, taking into consideration the cost of your machinery, and all those things, to bottle milk now than it did when your employees did it?—A. Naturally, if you had more, it costs more. The cost has been worth it. If you look, as pointed out in some cases here, at the death rate in Montreal, you will find that milk has played no small part in the decrease in the death rate; but at a cost, yes, but what was the cost before it went into milk?

Q. I should like a straight answer to my question.—A. That is a straight answer; I say if you had more, it must cost more.

Q. No, let us take 100 bottles, for instance, or a thousand bottles as you used to put them up before you bought this machinery, and the way you are doing it to-day. Does it cost more for the 1,000 bottles to-day than it cost in 1912?—A. I would say this, if you are going to bottle by hand, and bottle by machinery, that by machinery would be considerably cheaper. It is illegal to bottle by hand.

By Mr. Pickel:

Q. Is it not cheaper to deliver by bottle than in the old way by can?—A. Well, I never delivered in the can; unfortunately I cannot answer that question.

Q. It should be quicker.—A. I cannot answer that question. I have not the figures.

Q. Do you not agree that all of these big improvements for the benefit of the consumer takes the cost out of the farmer?—A. No, I cannot agree with that.

By Mr. Moore:

Q. Why not; what about pasteurization?—A. For the simple reason the producer does not pay; it is the consumer that pays. That is the person who, after all, pays.

By Mr. Pickel:

Q. The consumer is not paying as much as he used to do.—A. Here is one question that I think is lost sight of. That is, what is surplus milk worth? Now,

you say the producer pays. What is surplus milk worth? It is milk that cannot be consumed in a city to-day. Now, if the producer was getting less than that or considerably less than that, he might be paying, but he is not. The producer is shipping milk into the city for fluid consumption and getting very considerably more than the product is worth for any other product, and therefore I claim he is not paying—

By the Chairman:

Q. Let me ask you the question in another way:

By Mr. Spotton:

Q. Mr. Chairman, the question asked by Dr. Pickel is this: the consumer is paying less, the producer is getting less, and how does it come about? Then, in regard to this surplus of milk, Mr. Chairman, if you are going to carry on this surplus business, I think it is a joke. Every other merchant is buying goods and taking a chance of being short or having something on hand at the end of a season, and why should not these men do the same thing. Every one of these men that I have come in touch with, have made millions, and why should not they play the game, buy a certain amount of milk and sell it? If they cannot meet the demand one day, some other person will, and in that way play the game.—A. I can tell you sir, we do play the game. We do take our surplus. It cost us one-tenth of a cent a quart for every quart sold for surplus in January, 1931, and the difference between us and the other fellow who is buying goods, is that he can tell the other fellow "We do not want it at all."

Q. When was that surplus joke started?—A. It is very a serious question.

Q. When was it started?—A. I suppose the first time the cows started to give milk. It has always been.

Q. When did you start calling a certain percentage "Surplus milk" and lower the price to depress the association price; when did that start?—A. We do not do that.

Q. That did not start in the Garden of Eden?—A. I was not there.

Q. When did you start figuring up in Montreal that one man had a surplus —I think I should say I think your company has played fair—A. Thank you.

Q. But some of them have not played fair. There are some cases in which the surplus amounts to about one-half.—A. Am I here to answer for other companies? I can only talk for my own company.

Q. I am asking when did you start figuring on surpluses?—A. Ever since I have known this business. We have had the surplus problem always.

Q. How long is that?—A. I think Mr. Chairman, the company that I represent played the game on this.

By the Chairman:

Q. I think what Mr. Spotton is trying to get at is this: when did you start paying two prices?—A. Well, I guess it would be before I was born, sir, I don't know.

By Mr. Tummon:

Q. Is the man from whom you purchase obliged to sell you all his milk? —A. No.

Q. He can just send you in a little, what he has under contract?—A. Yes.

Q. What his production is for the six months?—A. Yes.

By Mr. Bertrand:

Q. He has to live up to that contract?—A. No, he can give us just as he desires.

By Mr. Boys:

Q. I believe the producer feels this, that you establish prices. We know you do establish prices for surplus milk. You have your price for milk, and the producer feels that while you are offering that price for surplus milk you can use it, or do use it probably for sweet cream purposes, and you are able, maybe, to make more out of it than you are paying him?—A. Well, I can tell you this, that the statement I made is true; that our surplus for the ten months cost us one-tenth of a cent a quart on our sales. That is subject to verification by auditors. It cost us that much.

Q. Did you use some for sweet cream purposes?—A. We did, but at the same time, we can buy sweet cream cheaper than we got the milk that went into the sweet cream.

By Mr. Dupuis:

Q. I would like to know from the witness if it would be possible through investigation in large cities in Montreal and Toronto to find out the quantity consumed and the percentage of surplus in each day in the year.—A. Every day in the year?

Q. I do not mean the average, the amount of the consumption?—A. By the time you would have found it out, so much time would have gone by, it would not mean anything.

Q. Could you not find out in Montreal, for instance?—A. How are you going to find out how much is consumed?

Q. You said there are so many distributors in Montreal?—A. Yes.

Q. Would not an investigator be able to find out how much milk they sell in Montreal?—A. Yes.

Q. Per day?—A. Yes.

Q. What was the percentage of your surplus milk on an average?—A. I think it is 15 per cent on our total purchase.

Mr. DUPUIS: Mr. Chairman, I am just making a suggestion now. I think we have had enough witnesses to come to a conclusion along this line, and I believe we should make a recommendation to see if it would not be possible to have legislation passed compelling the distributors to pay the same price for all the milk they purchased.

Mr. MULLINS: In Naples, they bring the cow around to the door, and milk it right at the door; I have come to the conclusion that that is the better plan.

The CHAIRMAN: We shall adjourn now to meet at the call of the chair; but before we adjourn I should like to make a statement in regard to witnesses. Witnesses are only supposed to come when they are notified by the Clerk of the Committee, in which case they are paid a per diem allowance and expenses. I am making this statement for the benefit of witnesses who may wish to come, not to come until they are notified by the Clerk of the Committee. Thank you, gentlemen.

Committee adjourned at one o'clock, to meet again at the call of the chair.

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Government
Publications

SESSION 1933
HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, MARCH 21, 1933

No. 7A

Supplement to No. 7

Reference,—Milk and Milk Products

Documents filed by W. R. Aird, President Elmhurst Dairy, Limited,
and Eastern Dairies Limited.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933



SCHEDULE No. 1

EASTERN DAIRIES LIMITED, MONTREAL, AND ELMHURST DAIRY LIMITED, MONTREAL

Schedule Number			
1	Annual Report.....	Eastern Dairies Limited.....	March 31, 1932
2	Detail of issue of 6%—20 Year Bonds.....	Eastern Dairies Limited.....	
3	Detail of issue of Common Stock.....	Eastern Dairies Limited.....	
4	Detail of issue of Preferred Stock.....	Eastern Dairies Limited.....	
5	Schedule of Bond Interest and Dividend Payments on Capital and Underlying Securities.....	Eastern Dairies Limited.....	
6	List of Officers.....	Elmhurst Dairy Limited.....	
7	Annual Report.....	Elmhurst Dairy Limited.....	March 31, 1932
8	Balance Sheet.....	Elmhurst Dairy Limited.....	January 31, 1933
9	Surplus Account.....	Elmhurst Dairy Limited.....	January 31, 1933
10	Statement of Operations.....	Elmhurst Dairy Limited.....	10 months ending January 31, 1933
11	Schedule of Sales Values and Expenses per unit.....	Elmhurst Dairy Limited.....	10 months ending January 31, 1933
12	Capital Stock Structure.....	Elmhurst Dairy Limited.....	January 1926 to date
13	Dividend Record.....	Elmhurst Dairy Limited.....	July 5, 1926 to March 22, 1932
14	Schedule of Extra Cost of Pint Bottles over Quart Bottles, based on prices in effect February 1933.....	Elmhurst Dairy Limited.....	
15	Schedule of Average Selling Prices per Half-Pint of Cream and Cost of Butterfat per Half-Pint of Cream during the month of February 1933.....	Elmhurst Dairy Limited.....	
16	Schedule of Quantity of Milk Purchased and Average Purchase Prices for the Year ending December 31, 1932.....	Elmhurst Dairy Limited.....	
17	Schedule of Cream Purchases for the year ending December 31, 1932.....	Elmhurst Dairy Limited.....	
18	Salesmen's Wages.....	Elmhurst Dairy Limited.....	
19	Comparison of Retail Sales Price per Quart and Purchase Price of Regular Milk.....	Elmhurst Dairy Limited.....	

SCHEDULE No. 2

EASTERN DAIRIES LIMITED, 7460 UPPER LACHINE ROAD, MONTREAL

6 PER CENT 20 YEAR FIRST COLLATERAL TRUST CONVERTIBLE BONDS—"SERIES A"

Date	Amount	Discount
May, 1929.....	\$ 3,000,000	\$ 180,000

SELECT STANDING COMMITTEE

SCHEDULE No. 3

EASTERN DAIRIES LIMITED, 7460 UPPER LACHINE ROAD,
MONTREAL

COMMON STOCK, NO PAR VALUE

Date	Number of Shares	Consideration
March.....1926	49,999 \$ 5 00	\$ 249,995 00
March.....1927	900 11 36	11,250 00
April.....1927	1,700 12 50	21,250 00
May.....1927	7,400 12 50	92,500 00
December.....1927	8,600 50 00	430,000 00
March.....1928	500 25 00	12,500 00
May.....1928	4,000 53 00	212,000 00
January.....1929	1,000 51 00	51,000 00
March.....1931	15,000 20 00	300,000 00
December.....1932	4,324 20 00	86,480 00
	93,423 \$ 15 70	\$ 1,466,975 00

SCHEDULE No. 4

EASTERN DAIRIES LIMITED, 7460 UPPER LACHINE ROAD,
MONTREAL

PREFERRED STOCK—7% CUMULATIVE—PAR VALUE \$100

Date	Number of Shares	Consideration	Commission
March.....1926	12,500 \$100 00	\$1,250,000 00	\$125,000 00
October.....1926	500 100 00	50,000 00	5,000 00
November.....1926	900 100 00	90,000 00	9,000 00
December.....1926	2,600 100 00	260,000 00	26,000 00
January.....1927	1,000 100 00	100,000 00	10,000 00
February.....1927	400 100 00	40,000 00	
March.....1927	2,800 100 00	280,000 00	
April.....1927	1,200 100 00	120,000 00	
May.....1927	2,200 100 00	220,000 00	
September.....1927	900 100 00	90,000 00	
	25,000	\$2,500,000 00	\$175,000 00

SCHEDULE No. 5

EASTERN DAIRIES LIMITED, MONTREAL

RECONCILIATION OF DIVIDENDS PAID BY EASTERN DAIRIES, LIMITED (HOLDING COMPANY) ACME FARMERS DAIRY, LIMITED, AND CRESCENT CREAMERY COMPANY, LIMITED, WITH TOTAL DIVIDENDS AS SHOWN BY EASTERN DAIRIES, LIMITED CONSOLIDATED OPERATING STATEMENTS.

Eastern Dairies, Limited—Preferred (April 1, 1926—December 31, 1932).....	\$ 1,113,525 00
“ “ Common (July 1, 1930—June 30, 1932).....	166,948 00
Acme Farmers Dairy Limited—Preferred—(January 1, 1929—December 31, 1932).....	196,000 00
Crescent Creamery Company, Limited—Preferred—(April 1, 1927—March 31, 1933).....	420,000 00
	<u>\$ 1,896,473 00</u>
Less:—	
Accrued Interest on Preferred Stock Eastern Dairies, Limited at date sold.....	\$ 16,274 00
Accrued Interest on Preferred Stock Acme Farmers Dairy, Limited at date of acquisition.....	12,250 00
Inter-Company Dividends, 1928.....	10,722 25
“ “ “ 1929.....	427 00
“ “ “ 1930.....	2,068 50
	<u>41,731 75</u>
Dividends Paid as per Consolidated Balance Sheet.....	<u><u>\$ 1,854,741 25</u></u>

SCHEDULE OF BOND INTEREST PAID SINCE DATE OF INCORPORATION SHOWING ADDITIONAL COST DUE TO PREMIUM ON UNITED STATES CURRENCY

Date Payable	Period Covered	Rate	Amount	Cost of U.S. Funds
November 1, 1929.....	Six months.....	6%	\$ 90,000 00	\$ 1,549 57
May 1, 1930.....	Six months.....	6%	90,000 00	241 72
November 1, 1930.....	Six months.....	6%	90,000 00	9 11
May 1, 1931.....	Six months.....	6%	90,000 00	65 76
November 1, 1931.....	Six months.....	6%	90,000 00	10,755 24
May 1, 1932.....	Six months.....	6%	90,000 00	11,429 09
November 1, 1932.....	Six months.....	6%	90,000 00	8,312 50
Total Bond Interest paid since date of incorporation.....			630,000 00	32,362 99
Less accrued interest received at date of sale of bonds.....			6,904 11	
Net expense.....			<u>\$ 623,095 89</u>	<u>\$ 32,362 99</u>

SCHEDULE OF DIVIDENDS PAID TO SHAREHOLDERS ON THE 7% CUMULATIVE
PREFERENCE STOCK SINCE DATE OF INCORPORATION

Date paid	Quarter ending	Shares Out- standing	Quarterly Rate	Amount
				\$ cts.
July 15, 1926.....	June 30, 1926.....	12,500	13%	21,875 00
October 15, 1926.....	September 30, 1926.....	12,500	13%	21,875 00
January 15, 1927.....	December 31, 1926.....	16,500	13%	28,875 00
April 15, 1927.....	March 31, 1927.....	20,700	13%	36,225 00
Total for fiscal year ending March 31, 1927.....				108,850 00
July 15, 1927.....	June 30, 1927.....	24,100	13%	42,175 00
October 15, 1927.....	September 30, 1927.....	25,000	13%	43,750 00
January 15, 1928.....	December 31, 1927.....	25,000	13%	43,750 00
April 15, 1928.....	March 31, 1928.....	25,000	13%	43,750 00
Total for fiscal year ending March 31, 1928.....				173,425 00
July 15, 1928.....	June 30, 1928.....	25,000	13%	43,750 00
October 15, 1928.....	September 30, 1928.....	25,000	13%	43,750 00
January 15, 1929.....	December 31, 1928.....	25,000	13%	43,750 00
April 15, 1929.....	March 31, 1929.....	25,000	13%	43,750 00
Total for fiscal year ending March 31, 1929.....				175,000 00
July 15, 1929.....	June 30, 1929.....	25,000	13%	43,750 00
October 15, 1929.....	September 30, 1929.....	25,000	13%	43,750 00
January 15, 1930.....	December 31, 1929.....	25,000	13%	43,750 00
April 15, 1930.....	March 31, 1930.....	25,000	13%	43,750 00
Total for fiscal year ending March 31, 1930.....				175,000 00
July 15, 1930.....	June 30, 1930.....	25,000	13%	43,750 00
October 15, 1930.....	September 30, 1930.....	25,000	13%	43,750 00
January 15, 1931.....	December 31, 1930.....	25,000	13%	43,750 00
April 15, 1931.....	March 31, 1931.....	25,000	13%	43,750 00
Total for fiscal year ending March 31, 1931.....				175,000 00
July 15, 1931.....	June 30, 1931.....	25,000	13%	43,750 00
October 15, 1931.....	September 30, 1931.....	25,000	13%	43,750 00
January 15, 1932.....	December 31, 1931.....	25,000	13%	43,750 00
April 15, 1932.....	March 31, 1932.....	25,000	13%	43,750 00
Total for fiscal year ending March 31, 1932.....				175,000 00
July 15, 1932.....	June 30, 1932.....	25,000	13%	43,750 00
October 15, 1932.....	September 30, 1932.....	25,000	13%	43,750 00
January 15, 1933.....	December 31, 1932.....	25,000	13%	43,750 00
Total for fiscal year ending March 31, 1933.....				131,250 00
Total dividends paid on preferred Stock since incorporation.....				\$ 1,113,525 00

DIVIDENDS PAID ON THE 7 PER CENT CUMULATIVE PREFERRED STOCK OF ACME FARMERS DAIRY, LIMITED SINCE DATE OF ACQUISITION APRIL 1, 1929

Date Paid	Six Months Ending	Shares Out-standing	Smie Annual Rate	Amount
		Shares		\$ c.
August 10, 1929.....	June 30, 1929.....	7,000	3½%	24,500 00
February 10, 1930.....	December 31, 1929.....	7,000	3½%	24,500 00
Total for fiscal year ending March 31, 1930.....				49,000 0
August 9, 1930.....	June 30, 1930.....	7,000	3½%	24,500 00
February 10, 1931.....	December 31, 1930.....	7,000	3½%	24,500 00
Total for fiscal year ending March 31, 1931.....				49,000 00
August 10, 1931.....	June 30, 1931.....	7,000	3½%	24,500 00
February 10, 1932.....	December 31, 1931.....	7,000	3½%	24,500 00
Total for fiscal year ending March 31, 1932.....				49,000 00
August 10, 1932.....	June 30, 1932.....	7,000	3½%	24,500 00
February 10, 1933.....	December 31, 1932.....	7,000	3½%	24,500 00
Total for fiscal year ending March 31, 1933.....				49,000 00
Total paid since date of acquisition.....				196,000 00

DIVIDENDS PAID ON THE 7 PER CENT CUMULATIVE PREFERRED STOCK OF CRESCENT CREAMERY COMPANY, LIMITED SINCE DATE OF ACQUISITION APRIL 1, 1927

Date Paid	Quarter Ending	Shares Out-standing	Quarterly Rate	Amount
				\$ c.
July 15, 1927.....	June 30, 1927.....	10,000	1½%	17,500 00
October 15, 1927.....	September 30, 1927.....	10,000	1½%	17,500 00
January 15, 1928.....	December 31, 1927.....	10,000	1½%	17,500 00
April 16, 1928.....	March 31, 1928.....	10,000	1½%	17,500 00
Total for fiscal year ending March 31, 1928.....				70,000 00
July 15, 1928.....	June 30, 1928.....	10,000	1½%	17,500 00
October 15, 1928.....	September 30, 1928.....	10,000	1½%	17,500 00
January 15, 1929.....	December 31, 1928.....	10,000	1½%	17,500 00
April 15, 1929.....	March 31, 1929.....	10,000	1½%	17,500 00
Total for fiscal year ending March 31, 1929.....				70,000 00
July 15, 1929.....	June 30, 1929.....	10,000	1½%	17,500 00
October 15, 1929.....	September 30, 1929.....	10,000	1½%	17,500 00
January 15, 1930.....	December 31, 1929.....	10,000	1½%	17,500 00
April 15, 1930.....	March 31, 1930.....	10,000	1½%	17,500 00
Total for fiscal year ending March 31, 1930.....				70,000 00
July 15, 1930.....	June 30, 1930.....	10,000	1½%	17,500 00
October 15, 1930.....	September 30, 1930.....	10,000	1½%	17,500 00
January 15, 1931.....	December 31, 1930.....	10,000	1½%	17,500 00
April 15, 1931.....	March 31, 1931.....	10,000	1½%	17,500 00
Total for fiscal year ending March 31, 1931.....				70,000 00

SELECT STANDING COMMITTEE

DIVIDENDS PAID ON THE 7 PER CENT CUMULATIVE PREFERRED STOCK OF
CRESCENT CREAMERY COMPANY, LIMITED SINCE DATE OF ACQUISITION
APRIL 1, 1927—Concluded

Date Paid	Quarter Ending	Shares Out- standing	Quarter- ly Rate	Amount
				\$ c.
July 15, 1931.....	June 30, 1931.....	10,000	1 $\frac{3}{4}$ %	17,500 00
October 15, 1931.....	September 30, 1931.....	10,000	1 $\frac{3}{4}$ %	17,500 00
January 15, 1932.....	December 31, 1930.....	10,000	1 $\frac{3}{4}$ %	17,500 00
April 15, 1932.....	March 31, 1932.....	10,000	1 $\frac{3}{4}$ %	17,500 00
Total for fiscal year ending March 31, 1932.....				70,000 00
July 15, 1932.....	June 30, 1932.....	10,000	1 $\frac{3}{4}$ %	17,500 00
October 15, 1932.....	September 30, 1932.....	10,000	1 $\frac{3}{4}$ %	17,500 00
January 15, 1933.....	December 31, 1932.....	10,000	1 $\frac{3}{4}$ %	17,500 00
April 15, 1933.....	March 31, 1933.....	10,000	1 $\frac{3}{4}$ %	17,500 00
Total for fiscal year ending March 31, 1933.....				70,000 00
Total paid since date of acquisition.....				420,000 00

SCHEDULE OF DIVIDENDS PAID TO SHAREHOLDERS ON THE COMMON STOCK
SINCE DATE OF INCORPORATION

Date Paid	Quarter Ending	Shares Outstanding	Quarterly Rate	Amount
				\$ cts.
November 1, 1930.....	September 30, 1930.....	74,099	25c. per share.....	18,524 75
February 1, 1931.....	December 31, 1930.....	74,099	25c. ".....	18,524 75
May 1, 1931.....	March 31, 1931.....	74,099	25c. ".....	18,524 75
Total for Fiscal Year ending March 31, 1931.....				55,574 25
August 1, 1931.....	June 30, 1931.....	89,099	25c. per share.....	22,274 75
November 1, 1931.....	September 30, 1931.....	89,099	25c. ".....	22,274 75
February 1, 1932.....	December 31, 1931.....	89,099	25c. ".....	22,274 75
May 1, 1932.....	March 31, 1932.....	89,099	25c. ".....	22,274 75
Total for Fiscal Year ending March 31, 1932.....				89,099 00
August 1, 1932.....	June 30, 1932.....	89,099	25c. per share.....	22,274 75
Total for Fiscal Year ending March 31, 1933.....				22,274 75
Total dividends paid on com- mon stock since date of incorporation.....				166,948 00

SCHEDULE No. 6

ELMHURST DAIRY LIMITED, MONTREAL

Commenced Business—1873.

Incorporated—November 4, 1921—Province of Quebec.

Acquired—January 14, 1926.

OFFICERS AND DIRECTORS

President.—H. R. Trenholme, Montreal.

Vice-President.—W. R. Aird, Montreal.

Directors

H. R. Trenholme, Montreal; W. R. Aird, Montreal; A. J. Nesbitt, Montreal;
P. A. Thomson, Montreal; C. B. Price, Montreal.

E. W. King, *Secretary*

S. H. Taylor, *Treasurer*

Auditors

P. S. Ross and Sons

Main Plant—7460 Upper Lachine Road.

Distributing Depots—101 River St., Verdun; 6240 Hutchison St., Outremont.
Creameries—Richmond, Que.; L'Avenir, Que.

C. B. Price, Managing Director.

SCHEDULE No. 7

ELMHURST DAIRY LIMITED

FINANCIAL STATEMENTS, MARCH 31, 1932

MONTREAL, QUE., May 16, 1932.

AUDITORS' CERTIFICATE

To the Shareholders,
Elmhurst Dairy Limited,
Montreal.

We have compared the attached Balance Sheet at March 31, 1932, with the books and records of Elmhurst Dairy Limited.

We certify that, in our opinion, the attached Balance Sheet has been drawn up so as to set forth a true and correct view of the financial position of Elmhurst Dairy Limited at March 31, 1932, according to the best of our information, the explanations given to us and as shown by the books of the company examined by us.

P. S. Ross & Sons,
Chartered Accountants.

SELECT STANDING COMMITTEE

ELMHURST DAIRY LIMITED
BALANCE SHEET AT MARCH 31, 1932

ASSETS

Current:			
Cash on hand and in bank.....	\$	7,663 32	
Accounts receivable, less reserve for bad debts.....		84,294 27	
Inventories of products and supplies.....		22,482 46	
Investment securities at cost.....	\$	62,734 50	
The aggregate value of these securities based upon available market quotations or in the absence thereof, upon estimated fair values was approximately \$525.00 less than the above book value at March 31, 1932.			
Accrued interest thereon.....		918 75	
		63,653 25	\$ 178,093 30
Due from affiliated companies.....			15 01
Fixed:			
(At replacement values new, as established by the Canadian Appraisal Company Limited as of 15th November 1926, with subsequent additions at cost)			
Land.....	\$	99,412 40	
Buildings.....		451,279 01	
Land and buildings not used in business.....		62,043 40	
Plant, machinery and equipment.....		284,192 07	
Delivery equipment.....		231,593 90	
Office furniture and equipment.....		12,126 48	\$ 1,140,652 26
Prepaid expenses.....			7,689 22
Deferred charges.....			5,008 85
Goodwill.....			88,033 08
			<u>\$ 1,419,491 72</u>

Approved on behalf of the Board:

..... (Director).
..... (Director).

ELMHURST DAIRY LIMITED
BALANCE SHEET AT MARCH 31, 1932

LIABILITIES

Current:			
Bank loan.....	\$	20,000 00	
Accounts payable and accrued liabilities.....		62,521 59	
Unredeemed tickets.....		2,358 01	
Salemen's deposits.....		13,845 36	
Dividends payable.....		25,000 00	\$ 123,724 96
Due to affiliated companies.....		4,525 12	
Due to Eastern Dairies Limited.....		187 87	4,712 99
Seven per cent twenty year debenture notes due May 1, 1949—			400,000 00
Authorized and issued.....			177,312 71
Reserve for depreciation.....			
Capital stock:			
Authorized and issued—			255,249 58
12,500 shares of no par value.....			54,819 92
Capital surplus.....			403,671 56
Surplus, subject to provincial taxes.....			<u>\$ 1,419,491 72</u>

Examined and certified in accordance with our
attached certificate.P. S. ROSS & SONS,
Chartered Accountants.

MONTREAL, May 16, 1932.

ELMHURST DAIRY LIMITED

SURPLUS ACCOUNT AT MARCH 31, 1932

Balance at credit March 31, 1931.....	\$	342,196 17
Add: Net profit for the year ended March 31, 1932 before providing for depreciation.....	\$	190,725 29
Less: Depreciation.....		29,249 90
		<u>161,475 39</u>
	\$	503,671 56
Less: Dividends on common shares.....		100,000 00
		<u>403,671 56</u>
Balance at credit March 31, 1932, subject to provincial taxes.....	\$	<u>403,671 56</u>

SCHEDULE No. 8

ELMHURST DAIRY, LIMITED, MONTREAL, BALANCE SHEET AS AT JANUARY 31, 1933

ASSETS

Current:—			
Cash on hand and in bank.....	\$	13,110 31	
Accounts receivable, less reserves for bad debts.....		82,912 47	
Inventories of Products and Supplies.....		24,191 01	
Investment Securities.....	\$	65,369 50	
Accrued Interest thereon.....		633 50	
		<u>66,003 00</u>	
	\$		186,216 79
Due from Eastern Dairies, Limited.....			1,899 93
Fixed:—	\$	cts.	\$ cts.
(At Replacement values new, as established by the Canadian Appraisal Company, Limited as of November 15, 1926, with subsequent additions at cost.)			
Land.....		99,412 40	
Buildings.....		460,070 40	
Land and Buildings not used in business.....		47,048 40	
Plant, Machinery and Equipment.....		290,946 20	
Delivery Equipment.....		223,538 89	
Office Furniture and Equipment.....		12,322 42	
		<u>1,133,338 71</u>	
Prepaid and Deferred Charges.....			10,026 93
Goodwill.....			88,033 08
			<u>1,419,515 44</u>

ELMHURST DAIRY, LIMITED, MONTREAL, BALANCE SHEET AS AT JANUARY 31, 1933

LIABILITIES

Current:—	\$	cts.	\$ cts.
Bank Loan.....		65,000 00	
Accounts Payable and Accrued Liabilities.....		50,882 50	
Salesmen's Deposits.....		13,332 50	
		<u>129,215 00</u>	
Due to Affiliated Companies.....			61 42
Seven Percent Twenty Year Debenture Notes due May 1, 1949—			
Authorized and Issued.....			400,000 00
Reserve for Depreciation.....			174,863 34
Capital Stock—			
Authorized and Issued—			
12,500 Shares of No Par Value.....			255,249 58
Capital Surplus.....			54,819 92
Surplus, subject to Depreciation and Provincial Taxes.....			405,306 18
			<u>1,419,515 44</u>

SELECT STANDING COMMITTEE

SCHEDULE No. 9

ELMHURST DAIRY, LIMITED, MONTREAL, SURPLUS ACCOUNT AT JANUARY
31, 1933

	\$	cts.
Balance at credit March 31, 1932.....	403,671	56
Less:—Taxes, 1932.....	1,480	03
	402,191	53
ADD:—		
Net profit for the ten months ending January 31, 1933 before providing for depreciation.....	134,364	65
	536,556	18
LESS:—		
Dividends on common stock.....	131,250	00
Balance at credit January 31, 1933 subject to depreciation.....	405,306	18

SCHEDULE No. 10
ELMHURST DAIRY LIMITED, MONTREAL
STATEMENT OF OPERATIONS FOR THE TEN MONTHS ENDING JANUARY 31, 1933

	Milk		Cream		Butter		Cheese		By Products		Total	
	\$	cts.	\$	cts.	\$	cts.	\$	cts.	\$	cts.	\$	cts.
Sales value.....	590,893	98	237,913	91	103,126	42	1,636	39	54,449	84	988,020	54
Purchase cost.....	234,623	11	62,934	76	72,356	29	375	17	50,762	80	421,052	13
Gross profit or spread.....	356,270	87	174,979	15	30,770	13	1,261	22	3,687	04	566,968	41
Dairy Expenses—												
Labour.....	49,410	55	2,986	76	5,975	75	350	77	1,299	87	60,023	70
Other.....	49,451	82	3,432	91	6,141	26	156	61	383	38	59,565	98
Selling and Delivery Expenses—												
Labour.....	114,054	21	31,088	09	15,124	91	318	25	276	66	160,862	12
Other.....	71,483	05	6,145	88	4,498	98	163	76	3,259	57	85,551	24
Administration Expenses—												
Labour.....	17,815	29	1,072	42	1,159	06	21	86	1,816	55	21,886	08
Other.....	14,239	02	6,392	05	2,802	20	15	77	2,075	42	25,524	46
Executive expenses.....	32,054	31	7,464	47	3,962	16	37	63	3,891	97	47,410	54
	16,534	99	990	42	1,079	72	31	69	553	36	19,190	18
Total expenses.....	332,988	93	52,108	53	36,782	78	1,058	71	9,664	81	432,603	76
Net profit before providing for depreciation.....	23,281	94	122,870	62	6,012	65	202	51	5,977	77	134,364	65

SCHEDULE No. 11

ELMHURST DAIRY LIMITED, MONTREAL

SCHEDULE OF SALES VALUES AND EXPENSES PER UNIT OF EACH PRODUCT FOR THE TEN MONTHS ENDING JANUARY 31, 1933

	Milk, quarts	Cream, half pints	Butter, pounds	Cheese, jars	By products, pounds	Total units
Number of units.....	6,535,955 cts.	1,561,256 cts.	428,773 cts.	12,314 cts.	663,951 cts.	9,202,249 ts.
Sales value.....	9.04	15.24	24.05	13.29	8.20	10.74
Purchase cost.....	3.59	4.03	16.88	3.05	7.64	4.58
Gross profit or spread.....	5.45	11.21	7.17	10.24	0.56	6.16
Dairy expenses—						
Labour.....	0.76	0.19	1.39	12.85	0.19	0.66
Other.....	0.76	0.22	1.44	1.28	0.06	0.65
	1.52	0.41	2.83	4.13	0.25	1.31
Selling and delivery expenses—						
Labour.....	1.74	1.99	3.53	2.59	0.53	1.75
Other.....	1.09	0.40	1.04	1.32	0.53	0.93
	2.83	2.39	4.57	3.91	0.53	2.68
Administration expenses—						
Labour.....	0.27	0.07	0.27	0.18	0.27	0.24
Other.....	0.22	0.40	0.65	0.13	0.31	0.28
	0.49	0.47	0.92	0.31	0.58	0.52
Executive expenses.....	0.25	0.06	0.25	0.25	0.09	0.19
Total expenses.....	5.09	3.33	8.57	8.60	1.45	4.70
Net profit before providing for depreciation.....	0.36	7.88	1.40	1.64	0.89	1.46

SCHEDULE No. 12

ELMHURST DAIRY LIMITED, MONTREAL

CAPITAL STOCK STRUCTURE FROM DATE OF ACQUISITION TO DATE

January, 1926—		
Authorized—2,500 shares of \$100.00 each.....	\$	250,000 00
(as per letters patent dated November 4, 1921).		
Issued—2,020 shares of \$100.00 each.....		202,000 00
June, 1926—		
Authorized—12,500 shares of no par value.		
(as per supplementary letters patent dated June 21, 1926).		
Issued—10,100 shares of No Par Value.....		202,000 00
May, 1929—		
Authorized—12,500 shares of no par value		
Issued—12,500 shares of no par value.....		255,249 58

SCHEDULE No. 13

ELMHURST DAIRY LIMITED, MONTREAL

DIVIDENDS PAID FROM DATE OF ACQUISITION TO MARCH 31, 1932

Date declared	Date payable	Number of shares issued	Rate per share	Amount of dividend paid	Total March 31
1926	1926				
July 5.....	July 10.....	10,100	\$ 1 50	\$15,150 00	
September 27.....	October 10.....	10,100	1 50	15,150 00	
	1927				
December 27.....	January 10.....	10,100	1 50	15,150 00	
1927					
March 22.....	April 10.....	10,100	1 50	15,150 00	\$ 60,600 00
June 22.....	July 11.....	10,100	1 50	15,150 00	
September 20.....	October 10.....	10,100	1 50	15,150 00	
	1928				
December 28.....	January 10.....	10,100	1 80	18,180 00	48,480 00
1928					
June 28.....	July 10.....	10,100	1 00	10,100 00	
September 20.....	October 10.....	10,100	1 00	10,100 00	
	1929				
December 27.....	January 10.....	10,100	1 00	10,100 00	30,300 00
1929					
December 30.....	January 10.....	12,500	1 00	12,500 00	
1930					
March 31.....	April 10.....	12,500	1 00	12,500 00	25,000 00
September 9.....	October 10.....	12,500	2 00	25,000 00	
	1931				
December 22.....	January 25.....	12,500	1 00	12,500 00	
1931					
March 30.....	April 10.....	12,500	2 00	25,000 00	62,500 00
June 4.....	July 10.....	12,500	2 00	25,000 00	
September 22.....	October 10.....	12,500	2 00	25,000 00	
	1932				
December 29.....	January 11.....	12,500	2 00	25,000 00	
1932					
March 22.....	April 11.....	12,500	2 00	25,000 00	100,000 00
Total dividends paid.....					
					\$326,880 00

SELECT STANDING COMMITTEE

SCHEDULE No. 14

ELMHURST DAIRY LIMITED, MONTREAL

SCHEDULE OF EXTRA COST OF PINT BOTTLES OVER QUART BOTTLES, BASED ON PRICES IN EFFECT FEBRUARY, 1933

	cts.
Cost of two pint bottles.....	7.52
Cost of quart bottles.....	5.25
Extra cost of pint bottles per quart.....	2.27

NOTE.—The extra cost per pint delivered depends on the number of trips per bottle. On the basis of 40 trips per bottle the extra cost would be, $\frac{1}{2}$ ct. per quart or $\frac{1}{4}$ ct. per pint.

SCHEDULE No. 15

ELMHURST DAIRY LIMITED, MONTREAL

SCHEDULE OF AVERAGE SELLING PRICES PER HALF-PINT OF CREAM AND COST OF BUTTERFAT PER HALF-PINT OF CREAM DURING THE MONTH OF FEBRUARY, 1933

	10% Cream	15% Cream	30% cream	40% cream
	cts.	cts.	cts.	cts.
Average selling price.....	6.63	9.71	15.79	19.53
Cost of butterfat.....	1.86	2.78	5.57	7.42

NOTE.—The difference between the average selling prices and the cost of butterfat does not represent the spread received by the company.

To the cost must be added the cost of sweet fluid milk for standardizing and the cost of returns, and the cost of over purchases of sweet cream.

SCHEDULE No. 16

ELMHURST DAIRY LIMITED, MONTREAL

SCHEDULE OF QUANTITY OF MILK PURCHASED AND AVERAGE PURCHASE PRICES FOR THE YEAR ENDING DECEMBER 31, 1932

Total milk purchases.....	21,559,450 lbs.
Surplus milk purchased.....	3,715,830 lbs.
Per cent of surplus to total.....	17.2%
Average purchase price of regular milk.....	\$1.45
Average purchase price of surplus milk.....	\$1.00
Average purchase price of all milk.....	\$1.38
Cost of loss on surplus per quart of milk sold.....	0.10 ct.
Percentage of sales in—	
Bulk.....	9.8%
Wholesale bottles.....	4.7%
Retail bottles.....	85.5%

SCHEDULE No. 17

ELMHURST DAIRY LIMITED, MONTREAL

SCHEDULE OF CREAM PURCHASES FOR THE YEAR ENDING
DECEMBER 31, 1932

	Pounds butter fat
Inventory January 1, 1932.....	6,753
Purchases from producers.....	189,962
Sweet milk for standardizing.....	11,929
Sweet milk separated.....	84,936
	<hr/>
	393,580
Inventory December 31, 1932.....	5,877
	<hr/>
	387,703
Sales.....	281,573
	<hr/>
Receipts over requirements.....	106,130
	<hr/>

SCHEDULE No. 18

ELMHURST DAIRY LIMITED, MONTREAL

SALESMEN'S WAGES

Salary varies between \$10 and \$17 per route, based on the district, size of the route and volume of cream sold.

Commission is 5 per cent on the net value of milk and cream retail sales and 2½ per cent on the net value of milk and cream wholesale sales.

Commission is 1½ cent per pound on retail butter sales and ½ cent per pound on wholesale butter.

Commission is 1 cent per jar on cottage cheese.

Special routes have a fixed wage.

Average wage for calendar year 1932—\$28.65 per week.

SCHEDULE No. 19

ELMHURST DAIRY LIMITED, MONTREAL

COMPARISON OF RETAIL SALES PRICE PER QUART AND PURCHASE PRICE OF
REGULAR MILK

	Retail sales price per quart	Purchase price of regular milk	
		Per 100 lbs.	Per quart
	cts.	\$	cts.
1926			
September.....	13	2.41	6.18
October.....	13	2.41	6.18
November.....	13	2.41	6.18
December.....	13	2.41	6.18
1927			
January.....	13	2.41	6.18
February.....	13	2.41	6.18
March.....	13	2.41	6.18
April.....	13	2.41	6.18
May.....	12	2.03	5.23
June.....	12	2.03	5.23
July.....	12	2.03	5.23
August.....	12	2.03	5.23
September.....	14	2.80½	7.22
October.....	14	2.80½	7.22
November.....	14	2.80½	7.22
December.....	14	2.80½	7.22
1928			
January.....	14	2.80½	7.22
February.....	14	2.80½	7.22
March.....	14	2.80½	7.22
April.....	14	2.80½	7.22
May.....	12	2.03	5.23
June.....	12	2.03	5.23
July.....	12	2.03	5.23
August.....	12	2.03	5.23
September.....	12	2.03	5.23
October.....	14	2.81	7.24
November.....	14	2.81	7.24
December.....	14	2.81	7.24
1929			
January.....	14	2.81	7.24
February.....	14	2.81	7.24
March.....	14	2.81	7.24
April.....	14	2.81	7.24
May.....	13	2.39½	6.17
June.....	13	2.39½	6.17
July.....	13	2.39½	6.17
August.....	13	2.39½	6.17
September.....	14	2.81	7.24
October.....	14	2.81	7.24
November.....	14	2.81	7.24
December.....	15	3.20½	8.23
1930			
January.....	15	3.20½	8.23
February.....	14	2.81	7.24
March.....	14	2.81	7.24
April.....	14	2.81	7.24
May.....	14	2.81	7.24
June.....	12	2.03	5.23
July.....	12	2.03	5.23
August.....	12	2.03	5.23
September.....	13	2.40	6.18
October.....	13	2.40	6.18
November.....	13	2.40	6.18
December.....	13	2.40	6.18

ELMHURST DAIRY, LIMITED, MONTREAL—*Concluded*

COMPARISON OF RETAIL SALES PRICE PER QUART AND PURCHASE PRICE OF
REGULAR MILK—*Concluded*

	Retail sales price per quart	Purchase price of regular milk	
		Per 100 lbs.	Per quart
	cts.	\$	cts.
1931			
January.....	13	2.40	6.18
February.....	13	2.40	6.18
March.....	12	2.03	5.23
April.....	12	2.03	5.23
May.....	12	2.03	5.23
June.....	11	1.70	4.38
July.....	11	1.70	4.38
August.....	11	1.70	4.38
September.....	11	1.70	4.38
October.....	11	1.70	4.38
November.....	11	1.70	4.38
December.....	11	1.70	4.38
1932			
January.....	11	1.70	4.38
February.....	11	1.70	4.38
March.....	11	1.70	4.38
April.....	11	1.70	4.38
May.....	10	1.35	3.48
June.....	10	1.35	3.48
July.....	10	1.35	3.48
August.....	10	1.35	3.48
September.....	10	1.35	3.48
October.....	10	1.35	3.48
November.....	10	1.35	3.48
December.....	11	1.60	4.12
1933			
January.....	11	1.60	4.12
February.....	10	1.35	3.48
March.....	9	1.35	3.48

NOTE.—The company actually paid an additional $\frac{1}{2}$ ct. per hundred pounds over and above these prices. This extra $\frac{1}{2}$ ct. being paid to the Montreal Milk Producers Association in accordance with our agreement with them.

SESSION 1933
HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

FRIDAY, MARCH 24, 1933

No. 8

Reference,—Milk and Milk Products

WITNESS:

E. H. Conklin, General Manager, Borden's Farm Products Co., Ltd.,
Montreal

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,
FRIDAY, March 24, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Blair, Bowman, Bouchard, Bowen, Brown, Gobeil, Hay, Jones, Loucks, Lucas, McGillis, McKenzie, Moore, Motherwell, Mullins, Perley, Pickel, Porteous, Séguin, Senn, Taylor, Totzke, Tummon, Vallance, Weese, Weir (Melfort), Weir (Macdonald), Wilson.

Mr. Tummon for the subcommittee on witnesses reported that Mr. E. H. Conklin, general manager of Borden's Farm Products, Limited, Montreal, had been summoned to appear before the committee to-day.

Report concurred in.

After discussion the committee agreed to convene again on Monday, March 27, at 11 a.m.

Mr. Wilson moved that Mr. George Hogg, a witness at a previous meeting be recalled.

Motion carried.

E. H. Conklin, general manager, Borden's Farm Products Co., Ltd., was then called and sworn.

Witness read a prepared statement and was examined at length.

Witness was instructed to prepare further data and statements to be submitted at a subsequent meeting.

Meeting adjourned at 1.15 p.m., till Monday, March 27, at 11 a.m.

A. A. FRASER,
Clerk of Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

MARCH 24, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 a.m. Mr. Senn presiding.

The CHAIRMAN: Gentlemen, we will have to decide when we will meet next. I understand that there will be caucuses Tuesday and Wednesday, and while it is not customary to have a committee meeting on Monday, I was wondering if we could not arrange to be here Monday. If it is the pleasure of the meeting we will meet at 11 o'clock on Monday, and I will ask the subcommittee on witnesses to arrange for somebody to be here. The subcommittee has reported to me that they have as a witness this morning Mr. Conklin of the Borden Dairies of Montreal. However, it is customary to approve of the recommendations of the subcommittee. Is the report concurred in? Carried.

Mr. BERTRAND: Mr. Chairman, before the witness is called upon, may I ask if you have received a financial statement from Mr. Hogg of the Guaranteed Pure Milk Company and Mr. Aird of the Elmhurst Dairy and the Eastern Dairies Limited?

The CHAIRMAN: No.

Mr. BERTRAND: May I also ask if Mr. Hogg has given the salary he is receiving, that he was supposed to give you?

The CHAIRMAN: No, he has not. I have no report whatever.

Mr. BERTRAND: May I say, Mr. Chairman, that there is a persistent rumour that the salary of this gentleman would be in the vicinity of \$70,000 per year, and it would be rather interesting that this information be secured.

The CHAIRMAN: My own idea of that is, that Mr. Hogg made these definite assurances to the committee; he has not fulfilled them; and I think he should be called back and made to give the evidence in full. However, that is in the hands of the committee.

Mr. TUMMON: Would it be advisable for the clerk to bring these matters to their attention first by letter?

The CHAIRMAN: Whatever the committee suggests. I think he has had his opportunity, his chance to fulfil his promise, and if he has not done so he should be recalled.

Hon. Mr. MOTHERWELL: It is not very long; it is about a week.

The CHAIRMAN: No. It is nearer to two weeks.

Hon. Mr. MOTHERWELL: That is not very long. Give him a little while longer.

The CHAIRMAN: There is a motion moved by Mr. Wilson, seconded by Mr. Vallance that Mr. Hogg be recalled. Carried.

EMMET H. CONKLIN, called and sworn.

By the Chairman:

Q. Mr. Conklin, what is your position?—A. I am general manager of the Borden Farm Products Co., Ltd., Montreal.

Q. Have you a statement prepared?—A. Yes, I have a statement prepared.

Q. It is customary to hear your statement without interruption. We would be pleased to listen to it?—A. My statement is as follows:—

STATEMENT BY E. H. CONKLIN, GENERAL MANAGER, BORDEN'S FARM PRODUCTS CO., LIMITED, 703 DOMINION SQUARE BLDG., MONTREAL, QUEBEC

MARCH 23, 1933.

As we understand it, the Committee is primarily interested in four main aspects of the milk industry; and we take the liberty of summarizing these four points with which we shall deal in so far as our Company is concerned; these four points are:—

1. The Price the Producer of Milk is getting from the Dealer.
2. The Treatment the Producer of Milk is getting from the Dealer.
3. The Spread between the price paid to the Producer and that paid by the consumer.
4. The Retail Price of Milk charged to the Consumer.

Please keep in mind that we speak only for one Montreal Dealer, Borden's Farm Products Co., Limited; and that such information as we can furnish you applies only to that company.

1. *As to the Price We Pay to the Producers*

Our Company pays the Milk Producers the price agreed upon between us and the Producers' Association; we do not violate this agreement at any time. If, because of special conditions of the business, we at any time think that the Producers' price should be reduced in the interests of all concerned, we confer with the Association and propose such a reduction. On the other hand, if the Association at any time believes that, because of circumstances, the price to the Producers should be revised upward, the Association calls us in for discussion of the proposal. On both sides there is an open willingness to meet, to discuss the situation fully, and to reach a mutual agreement which will best serve the interests of the Producer, our Company, and the consumer.

In speaking of our readiness to meet and discuss the prices with the Producers' Association, we do not wish to claim any virtue beyond sound business sense. We believe that our whole industry cannot prosper if one major portion of the system is out of line with the current economic needs of all branches of the business. It is not really a question of fairness, but of broad economic necessity which dictates our action on both sides.

There is one aspect of this price matter which does not seem to be understood generally—the basis on which we pay the Producers. The Montreal By-Law on Milk requires us to furnish milk with only a minimum butterfat content of 3.25 per cent. However, our price agreement with the Producers is fixed on a basis of butterfat content of 3.5 per cent; and our Company also agrees to pay four cents per hundred pounds more for each point higher butterfat content; that is, for each one-tenth of one per cent higher butterfat, we pay four cents above the "base" price.

Our average Producers' milk has tested considerably above the 3.5 per cent bases this past year; and we have, therefore, paid the Producers considerably more than the base price for market milk. Since, under the Montreal By-Law, we are forbidden to add to or take from the fluid milk sold to consumers any cream or butterfat, we cannot take out this

extra butterfat content, but must sell it just as if the milk had no more than the minimum required, 3.25 per cent butterfat. Thus the Producers and the consumers get an actual benefit from this extra butterfat; but we do not—we have to pay for it.

2. *How the Producer Fares with Us*

We now come to the question as to the treatment which the Producers receive from us under our agreements.

At this point we wish to present a copy of what we call our Purchase Plan—a statement which we make to our Producers; and also a copy of a typical Dairymen's Memorandum of purchase, such as we now furnish each of our Producers monthly:—

For all milk received at Montreal, the price established by the Montreal Milk Producers' Association is paid.

All milk testing above or below 3.5 per cent, four cents (4c) per point per hundred pounds is added or deducted, according to test.

All milk received in excess of our market milk requirements is manufactured into cheese and cream. Cheese is sold by Mr. W. W. Moore, secretary of the Montreal Milk Producers' Association. The returns derived from the sale of cheese and cream, less the conversion cost, is blended with the fluid milk price, and the base price of milk testing 3.5 per cent established.

Example:

DAIRYMEN'S MEMORANDUM

Name, John Jones. Month of January, 1933.	
Market milk, 2,130 pounds, at \$1.60.. . . .	\$34 08
Surplus milk, 870 pounds, at \$1.14.. . . .	10 02
Amount.. . . .	\$44 10
Deductions, \$_____	
Hauling, \$_____	
Total deductions.. . . .	\$_____
Net amount.. . . .	\$_____
Average butterfat test 3.5 per cent.	
Average price of cheese \$0.09.	

(Previously only blended price given)

To explain how this plan works out for the Producers, we comment further upon its operation.

When we take on a Producer, we agree to have him ship to our depots his entire output of milk. This is the custom of our company. As a matter of fact, this practice was established to meet the wishes of the Producers, who apparently would rather have an assured outlet for all of their milk (regardless of consumer milk demand) than to have a steady market for a certain quantity of milk month after month. This system has been in operation for over ten years, and hence it is reasonable to suppose that our Producers are satisfied with it.

Now, let us see what happens. We find, from our records, that the average Producer on our books delivers to us an average of 246 pounds of milk daily, throughout the year. But, his minimum day's shipment is only 170 pounds, and his maximum day's shipment is 398 pounds—more than double the minimum. If our consumers require 246 pounds of milk every day throughout the year, we would obviously be very short of our needs some days; and have a very large surplus other days. Of course, the demands of our consumers vary from month to month, but not nearly as widely as the production of milk.

We have here several charts showing the wide fluctuation in receipts of milk at several of our depots which are typical of this situation. I shall be glad to turn these over to the committee for further study if desired.

Since a dairy farm is not like a machine shop, wherein production can be regulated according to demand, and since fluid milk is a perishable product, the dairy industry as a whole suffers from the fundamental economic trouble of over-production at one period, and under-production at another.

We, as a dealer, must secure enough milk at all times to meet our consumers' demands. This is our basic service to the community. Hence we must take on enough Producers to be sure that their minimum day's shipments will meet our customers requirements. This, then, means that when the Producers' supply increases, their shipments to our depots run way ahead of our consumers' needs, and a surplus is created.

We could, of course, conceivably contract with the Producers for only a certain fixed quantity of milk every month, and leave it to them to dispose of the surplus—as they could, if they could, and at what price they could.

But, perhaps fortunately for the whole industry, we cannot be independent of the Producers' welfare in this way. Surplus milk left on the Producers' hands would be thrown into the market at greatly distressed prices. The Producers would get little or nothing for this surplus; and their distress selling would force a reduction in the selling price of our milk—which is the Producers' regular month-after-month business. Producers would be merely competing with themselves, in such a case.

The milk business, like nearly all businesses at the present time, is suffering from over-production. The basic fact that cannot be overlooked by anyone seeking a solution of the problem is that there is too much milk. A reduction in price does not result in a sufficiently increased demand to even approach taking up the surplus.

As a result, producers as a whole cannot expect to sell their whole production for re-sale as fluid milk. The established distributors cannot afford to pay the so-called association prices for milk which they cannot sell as fluid milk.

This over-production is aggravated by the fact that many of the farmers producing milk will not co-operate with the organizations of producers. In the industry at present, a large number of producers have an outlet for their milk through established distributors, which enables them to dispose of the greater part of their production at fluid milk prices. There are also a number of producers who do not have such an outlet and they must, under present conditions, do the best they can to sell their milk. These latter producers, who have no fixed market, naturally consider that they have a right to compete for the sale of their milk with the producers who have an established market. For all practical purposes, the only means of competition which they have is to lower their prices to the distributors. They then make contact with the class of distributors who are willing, by placing this lower priced milk on the market, to under-sell their competition to gain a market. In such a transaction, the farmer takes a lower price than the prevailing rate and distributors of that class are therefore able to and do sell to the consumer at lower prices than other established distributors.

General price-cutting and price wars follow and, in the result, the farmer gets far less than the cost of production for his product.

To aid the Producer—and ourselves, of course—we help him dispose of his surplus milk in a way which will be less harmful to everyone con-

cerned—even to the consumer. We help him convert his surplus into products which do not compete with his regular shipments to us for the Montreal market.

As stated before, we agree to take the producers' entire output the year 'round, at our country depots. Each day we estimate our customers' demands for fluid milk, and we divide the receipts of milk at our country depots into two classes which we call "Market Milk" and "Surplus Milk". The former is the amount our customers require and is then shipped to Montreal; the rest is held as surplus at the depots in the country.

For the "Market Milk" we pay the Producers the agreed-upon price. The "Surplus Milk" at our country depots is made into cheese or cream (or both) according to current prices and demand. Cheese is turned over to the Producers' Association to sell, and the Producers who supplied the surplus milk receive whatever their products fetch, less the cost of conversion. In other words, in the handling of "Surplus Milk" we act as manufacturers for the Producers; it still remains his milk.

By working together in this manner, we help the Producers use up their surplus milk in a way which gives them a fair return, without demoralizing their "Market Milk" prices.

Now let us look at a case that illustrates all this—as shown on the Dairymen's Memorandum already mentioned previously. Let us suppose that during January, 1933, John Jones delivered to our country depot 3,000 pounds of milk. During that month the "Market Milk" requirements called for 2,130 pounds of his milk, leaving a "Surplus" of 870 pounds which we convert. For this month's milk the producer would receive:—

Market milk.. . . .	2,130 pounds, at \$1.60.. . .	\$34 08
Surplus milk:.. . . .	870 pounds, at \$1.14.. . .	10 02
	<hr/>	
	3,000	\$44 10

This transaction gives the Producer what we call a "blended" price of \$1.47 for the entire output, which we believe is a better price than if the surplus was sacrificed at a low price in the Montreal fluid milk market. It even saves an actual loss of much milk that would spoil if the producers individually tried to market their surplus.

The foregoing example is for only one month of the year—January, 1933, in this instance. To illustrate more clearly what this means over the period of a whole year; here is the statement for the average month of 1932 for John Jones—a typical case.

Example:

DAIRYMEN'S MEMORANDUM

Name, John Jones.	Month of Average 1932.	
Market milk, 2,209 lbs., at \$1.5654.. . . .		\$34 58
Surplus milk, 791 lbs., at \$1.05.. . . .		8 31
		<hr/>
Amount.. . . .		\$42 89
Hauling.. . . .	\$	<hr/>
Deductions.. . . .	\$	<hr/>
Total deductions.. . . .		\$
		<hr/>
Net amount.. . . .		\$42 89
Average butterfat test, 3.7 per cent.		
Average price of cheese, \$0.09½.		

It will be noted that in this case, the Producer received the average Association price of \$1.5654 for his Market Milk, and a price of \$1.05 for his Surplus Milk. This works out to a "blended" price of \$1.43 for his entire milk shipments for the average month of 1932. In other words, over the entire year he received for all his milk (Market and Surplus) a price which was only \$0.135 less per hundred pounds than the price of his Market Milk alone.

There are also some other details which we should mention. All of the Buttermilk we sell is what is known as fermented or cultured milk. It is not the Buttermilk that comes from butter-churning. In other words, it is not a by-product of the butter. We pay the regular Association price for the whole milk from which our Buttermilk is made; another point in the Producers' favour. Our Buttermilk is made from freshly prepared modified milk, which is pasteurized, and then cooled to a ripening temperature. A Lactic starter is then added, and the product allowed to ripen overnight. This ripening process results in the formation of a firm, smooth curd, which is beaten by revolving mechanical agitators until it is properly broken up. It is then cooled and bottled.

The skimmilk left from the production of Cream must be pasteurized (by requirement of "Dominion Regulation") before it is returned to the farm. We do not make Cream in Montreal; all of it is made at our Country Depots. Neither the milk from which it is made, nor the skimmilk, is shipped to the City. We sell this skimmilk to the Producers themselves at a cost to him of only five cents per eight-gallon can—and we credit that amount to their Surplus account, so that we gain no profit from skimmilk. The reason for making this price, and then crediting the amount, is to equalize the return in money to those Producers who do not take back their skimmilk. That is, some Producers take back more skimmilk than their share; and by charging them for it, we can then refund the money value to those Producers whose return of skimmilk is less than their share.

As mentioned before, this plan has been in effect for over ten years, and as we have frequent meetings with the Producers, this plan apparently works out to their satisfaction, as the majority of our Producers have been shipping to us for this period of time.

3. As to the Spread Between the Producer and Consumer Prices:

Here let me repeat that I speak for only one Dealer. We pointed out previously that we actually pay the Producers more than the agreed base rate, because of the higher butterfat content of our average milk. Therefore, it is not fair to figure the spread as the difference between the base price we pay and the consumer price we get, the spread is obviously less than that.

We also wish to mention the fact that our individual consumer price is not entirely a fair measure of the price-spread; since a portion of our sales are made at wholesale prices to stores for resale, to institutions, to restaurants, and to Montreal Relief Organizations—prices lower than the regular house delivery price.

Speaking generally, we pay the Producers over forty per cent of what we get for our milk from the consumers. Now, let us see where the rest goes.

Using round numbers, again for convenience, about sixty-five per cent of this balance is what we call "Sales Expense"—or delivery cost. This means the cost of our wagons, upkeep of our delivery horses and equipment, materials used in selling and delivery, and—most important

—our drivers' salaries and commissions. This is a competitive business in Montreal; and every competitive business has sales cost, no matter how essential the product may be. However, these are really delivery costs.

The salaries and commissions we pay to our wagon salesmen is a very large proportion of this selling cost. This goes to the men who do the delivering of milk to homes, collecting bills, and many other duties.

This leaves about one-fifth of the consumer price to cover the handling of milk, pasteurizing and bottling, the cost of technical materials, sterilizing cans, bottles and equipment, daily repairs and upkeep of machinery, light and power, office and administrative expense, licences, salaries, water rates, taxes, insurance, and hundred of other operating items—not to mention a possible profit.

Under the Montreal By-Law, the Milk Dealers in our City are required to do a vast number of things, and to take many precautions in the testing and handling and pasteurizing of milk. Such exacting requirements are unknown to any other kind of commercial business. While these requirements are many, and are strict, yet we believe that they are all necessary to protect the health of the community, despite their cost, and yet you see from these figures, we keep these essential costs down to a very efficient minimum. As a matter of fact, we take pride in the fact that we exceed the maximum requirements of the By-Law, without sacrifice of price or cost.

Just to give you an idea of only one part of the work we do in the interest of the Producers and consumers, here are some facts from our records.

Last year we made nearly five hundred inspections of Dairies; inspecting the herds and making out a score card with twenty-five questions to be covered. We made nearly thirteen thousand butterfat tests of our Producers' Milk—each one requiring scientific skill and technical apparatus and material. We made nearly six thousand bacteriological tests; and over eight thousand acidity tests. We made over five thousand sediment tests of samples. This is just the inspection and test work of part of our job; you can easily imagine the rest of the picture. The expenses are all borne by the Company, and are not passed on to the Producer.

4. *As to the Fairness of the Consumer Price:*

We come, then to the question of whether or not the price charged to the consumer is fair. We feel that it would not be fitting for us to comment on whether the consumer price is fair to ourselves—we are an interested party. As to whether the consumer price to the Producer is fair, we can only say that as far as the "Spread" between consumer and Producer is concerned, we believe we have proved it both fair and necessary. As to the fairness to the consumer himself; it must be clear to anyone who examines these facts that the consumer is getting his milk at a remarkably low price, considering quality and the protection of health which he receives.

By the Chairman:

Q. Is that all of your statement, Mr. Conklin?—A. Yes, sir.

By Mr. Tummon:

Q. Mr. Conklin, you are representing, I think you said, one company in Montreal, the Borden's Farm Products Company, Limited?—A. That is right.

Q. Does the Borden Company own or control any other company in Montreal?—A. The Joubert Company is a subsidiary of the Borden's Limited. We are the same.

Q. They are the same relation to the main Borden Company, Limited, as the company you are representing now?—A. That is right.

Q. If we were to require a witness from that company, whom would we call?—A. Well, I would suggest Mr. Charette, the vice-president.

Q. I think you have no jurisdiction over that company?—A. No, I have not.

Q. Now, dealing just with the company that you represent to-day, can you give the committee the total amount of fluid milk that was purchased by your company in 1932?—A. Yes, I will be glad to get that.

Q. Have you it with you?—A. I have.

Q. Is your financial year the calendar year? Is that your financial year?—A. Yes.

Q. Then, if we deal with the calendar year, we are dealing with your last financial year?—A. Yes, that is right, 1931 or 1932?

Q. Well, let us take 1932, Mr. Conklin. I would like the total amount of fluid milk purchased by your company in 1932?—A. The total number of pounds purchased in 1932 was 28,610,234 pounds.

Q. Now, that includes, I presume, milk purchased as market milk, or at the market price or the Association price?—A. Right.

Q. And also milk purchased at purchase price?—A. That is right.

Q. Can you give the committee the average cost per hundred pounds of that milk in 1932?—A. The average cost in 1932 per hundred was \$1.56½.

Q. That is the rate per hundred pounds?—A. That is right.

Q. Now, I suppose that milk purchased at the market price, or what you call the market price—we have been calling it association price milk here—was largely disposed of as fluid milk, by the quart, and such like?—A. That is right.

Q. Can you give the committee the average cost of that milk per quart?—A. The average cost for 1932 was .0403 per quart.

Q. .0403 per quart. Now, what was the percentage of milk that you purchased as market milk?—A. For any particular month, or for the year?

Q. Well, I am dealing with the year 1932; all my questions now until I tell you differently will be directed to that year.—A. In 1932 the percentage of market milk of total purchased was 73.6 per cent.

Q. Right—that is of the 28,610,234 pounds.—A. Yes sir.

Q. The balance then was purchased as surplus milk?—A. That is right, 26.4 per cent.

Q. 26.4 per cent was surplus. Now, can you give us the average selling price per quart of the milk purchased at the association price, or market price?—A. I would be glad to do that, but in doing that I would like to call to attention that when I give this it is for the converted average quality. I mean by that the half pints of milk, the pints of milk and the quarts. Now, my reason for doing that is that the pint sells for a higher price in proportion to the quart, so I thought to be fair I would swell that price as much as I could, which is 10.41 per quart, that is the average quart in all forms.

Q. So you get that amount 10.41. Well, let me see if I have followed your description as to how you arrived at that. If you sell one quart of milk for eight cents and then you sell two pints for five cents, it is obvious that that would be an average of nine cents?—A. That is right.

Q. That is the way in which you arrive at that?—A. That is the way we arrive at the average quart.

Q. Now then, have you the spread per quart?—A. The spread per quart was .0638.

Q. The spread between the purchase price and the selling price per quart?
—A. Per quart.

Q. That was .0638. Now Mr. Conklin, can you tell the committee how you account for that spread?—A. How we account for that spread?

Q. Yes. Let us start at the beginning. Now we will say—you said that the average price per hundred pounds was \$1.56½.—A. That is right.

Q. For the year 1932. Now, that was the price paid the producer, including transportation.—A. Yes.

Q. The milk was shipped directly from the producer into your plant at Montreal?—A. Yes, part of it, not all of it. We have country depots where they ship some, and direct shippers, where they ship others; but I am giving now the Montreal delivered prices.

Q. Yes, the Montreal delivered prices. Well, let us discuss that depot business, just for a moment. You have depots, which I suppose are receiving stations, are they, more or less?—A. Yes.

Q. How many have you in the country?—A. We have two.

Q. Where are they?—A. One is at Maxville and one is at Ormstown.

Q. The producer delivers his milk at the stations, to the receiving stations?—A. Yes.

Q. You then ship from these stations into your plant at Montreal?—A. Yes.

Q. Does the farmer pay the freight, or do you pay the freight when you receive it at Montreal and deduct it from the farmers' returns?—A. We pay the freight and deduct.

Q. Very well then, perhaps you might give us a little information that I have been trying to get and that I have been unable to get from other witnesses. Have you any idea, or have you any figures, as to what the average cost per hundred pounds of freight your transportation charge is into Montreal?—A. Twenty-five cents a hundred.

Q. You say 25 cents a hundred? Thank you, sir.—A. That applies to Maxville and Ormstown.

Q. Now, we will say that the milk was received at your station. The farmer delivers it there and it is shipped directly into Montreal to your plant. Then we must take 25 cents a hundred off your average price to really get at the net price that the producer receives.—A. Yes.

Q. All right. Now then is that the only charge that is deducted from the milk? Do you make any charges in any other way?—A. Yes, we do. On milk that is termed "surplus milk" there is a conversion charge of 25 cents a hundred pounds. In other words, we take what the railroads would get and apply it as our conversion charge, which would be 25 cents a hundred. We manufacture the cheese for that amount. We save the freight by doing it in the country.

Q. Yes. Well, what I am trying to arrive at is this: supposing I am a farmer, or a producer, and I take my milk and deliver it at your door; you accept it there, and your men ship it in to your plant at Montreal; now then, when you come to pay me on the 15th of the month, or whenever you make your returns to the farmer, you deduct 25 cents a hundred, we will say, from the price that you would be paying me for market milk on all milk.—A. You mean for freight.

Q. That is right. Now then, are there any further charges that you deduct from the market milk?—A. Yes, on the market milk delivered, there is a handling charge of 18 cents. Now, I do not wish to confuse market milk with the other,—18 cents for the market milk. With the milk that is manufactured only, that is the surplus that is delivered to us on which there are no freight charges, we charge 25 cents a hundred for the handling of that.

Q. Yes, all right then. Then, supposing the producer was being paid by your company for market milk \$1.56½, there would be 25 cents a hundred freight, or transportation charges, and then 18 cents a hundred again.—A. For fluid milk.

Q. Then, taking these two items from your average price we arrive at the net price that the farmer is receiving?—A. Yes.

Q. And on all this 28,610,234 pounds of milk at an average of \$1.56½ you have to deduct 25 cents and then 18, and you get the net that the farmer receives.

The CHAIRMAN: That is 43 cents, which must be deducted from the \$1.56½ in order to arrive at the price the farmer receives.

By Mr. Hackett:

Q. That is for the market milk only, and it means then 50 cents for the other.—A. It is not 50 cents for the other, because there is no freight on the other. We do not charge freight when we do not ship it.

By Mr. Tummon:

Q. I can understand that, yes. Now then, Mr. Conklin, it would be interesting I think for the committee to learn just what services you render the producer for this, just what services are contributed for which you charge the 18 cents?—A. Well, first of all we harvest about 3,000 tons of ice, which is about 10 tons to each producer making delivery; we also furnish all the cans, we take care of loading, handling, sterilizing of cans, and the transportation which we have to advance—otherwise ordinarily the shipper pays his own transportation charges.

Q. In many cases the other companies make the producer furnish his own cans, do they?—A. Yes.

Q. And you pay the freight?—A. Yes, we pay the freight.

Q. Well, I must confess that that is something, because I remember years ago when I first started to ship to Toronto, I used to ship 10 to 12 cans a day, and it cost me two or three dollars every morning for freight, and sometimes I had a hard time getting enough money to keep things going. That is something undoubtedly. However, we have arrived at what you charge that for, and we know that.

By the Chairman:

Q. Those are all the factors that enter into that charge, you say?—A. Yes. On the other charge of 25 cents for manufacturing, of course, we furnish all the material like cheese boxes and cheese binding—all the materials used and guaranteed No. 1 quality. In other words, if we make a No. 2 batch of cheese, we pay them at the No. 1 price. That is our guarantee.

By Mr. Tummon:

Q. Yes. Now then, that approximately accounts for the full amount taken. That means that the farmer who was supplying milk in February of this year with a market price of \$1.35 per 100 pounds would get a return on his market milk of about 84 cents?—A. Well, I haven't got those figures with me, but if it all went in as market milk he should be getting about that for his 3.5 milk, and then there would be a surplus charge out of that. I don't just recollect what the surplus charge was for February.

Q. Well, I am looking at a bill, Mr. Conklin, and it shows surplus milk at 8 cents?—A. Did you have the fat test? This bill should show the fat test.

Q. The average butterfat test was 3·3?—A. Then, that man was penalized 8 cents fat.

Q. Well, I can see he was below the 3·5?—A. He was below the 3·5.

Q. Now, then, do you collect it on 3 cents per point or 4 cents per point?—A. Four cents per point.

Q. That is, below 3·5?—A. Yes.

Q. The others have said that they have been paying 3 cents per point, you pay a cent more?—A. Well, we have paid 4 cents for years.

Q. You have paid 4 cents for years, and have deducted 4. Now, then, taking away from the average price per 100 pounds to transportation charge and your service charge have you any idea what the net price per quart to the producer is?—A. No, I have not. I have only the figure of what the milk actually cost us, not what it cost the producer.

Q. I think perhaps we can get at that ourselves anyway. Now, then, that does not include cream purchases which we have been talking about?—A. No.

Q. Now then, you said that the spread between the price that the milk cost you per quart, and the price that you received for that milk was so much—I think you said that was 06·38 per quart?—A. That was the spread.

Q. That was the spread, yes. Now, what does that include?—A. The spread?

Q. Yes. What makes up that spread between the cost price, and the average selling price?—A. Well, first of all the cost of the product.

Q. Yes.—A. It means the purchase cost of the goods, including the cost of freight and of hauling to our pasteurizing plant from the station.

Q. That is, the cost of the product at your store?—A. Yes. Now, the production cost takes in a number of items here—salaries and wages of factory superintendents, and the disbursements on wages of plant employees; it includes electricity, general freight—I think I mentioned that before—and express; factory and production department expenses other than labour; material and bottle expenses—in material is included coal, fuel oil, ice, bottle caps, wires and miscellaneous supplies.

By Mr. Brown:

Q. I think, if you have the actual cost it should be on the record?—A. Well, I can't give it to you, this is all on the quart; but really I haven't got it in volume.

By Mr. Tummon:

Q. It is on the quart of milk that I am asking for?—A. All right, the sale price for a converted quart for 1932 was 10·41—that is the average sale price.

Q. 10·40, that is the cost of the product?—A. That is the sale price of the product.

Q. That is the average price?—A. The average sale price for a quart. Now, the cost of this product was ·0415, which as I have mentioned here is the cost of all the goods sold, including freight, and hauling to the Montreal pasteurizing plant. Now, the production expense on a quart is ·0119. That is made up of salaries and wages. As I mentioned before these expenses include electricity, general freight and express, materials, coal and fuel, bottle caps and wires, miscellaneous supplies, extensions to buildings, depreciation charges on buildings, machinery, horses, harnesses, insurance—principally fire insurance—taxes—real and personal property taxes—licence fees, provision for reserve, and other expenses—general and administrative expenses; that is about all.

Q. What then is the next item in the case of spread?—A. The next one is selling and delivery expenses .0412. Now, that takes in salaries and wages of branch superintendents, and the sales department, wages to route salesmen and branch employees.

Q. By Branch superintendents you mean those out in charge of depots?—A. Yes, we have a depot with perhaps forty wagons and we have a man in charge who is a superintendent.

Q. In the city of Montreal?—A. Yes. Then, there is commissions paid to route salesmen on the basis of points on sales and cash collected, included in the two items. It also includes wast products, breakfast for the men, branch sales department expenses other than labour, material and profit expenses, hauling from the pasteurizing plant to the various branches, feed, bedding, ice, miscellaneous supplies, maintenance of buildings, depreciation charges on buildings, machinery, furniture, automobiles, harness, wagons, horses, insurance taxes, real and personal property taxes, licence fees, rents, reserve for bad debts and doubtful accounts, advertising expenditures, general administrative expenses, container loss, cost of bottles, boxes and cans lost and destroyed and container repairs to boxes and cans lost and destroyed.

Q. And the cost there?—A. I haven't got the cost on that.

Q. Is that the proportion that is borne by that cost?—A. That all goes to make .0412 on a quart of milk.

Q. .0412 is the spread?—A. .0412 is the selling and delivery expenses on a quart of milk.

Q. Well then?—A. There are some other costs.

Q. Now then, what other points do you cover?—A. Well, there is the container costs of .0019 per quart.

Q. What was that?—A. The container cost, that is, bottles, cans and boxes—.0019 per quart.

Q. I thought you covered that in one of the others?—A. I think not, I might have read them in the other details.

Q. I see, you are giving a general statement, but I say that so as to keep that in your mind. We want to know just what is contained in the preparation of that spread?—A. Perhaps I may have repeated the item, but I only have about five items which have been set up—first cost of production and production expansions, selling and delivery expenses, container costs, net profit and income tax, which goes to make a total of 10.41.

Q. Well, now, give us these five items, and what you apportion to each, and what is in each. If you have given it there already follow through to the end?—A. Well, I have given you the cost of the product and the production expenses.

Q. Yes—A. And the selling and delivery expenses.

Q. Yes. Now then, what is next?—A. Container costs.

By the Chairman:

Q. What is container costs made up of, Mr. Conklin?—A. That is made up of boxes, cans and bottles.

Q. Do you mean breakages?—A. Well, losses, yes.

By Hon. Mr. Motherwell:

Q. Does it cover the broken bottles?—A. Yes.

Q. And what are the other items now?—A. Well, the other is profit.

MR. GOBELL: What is the container cost?

MR. TUMMON: He gave that, .0019.

By Mr. Tummon:

Q. Now, what proportion of the spread is profit?—A. The net profit is .0068. There is a balance there for income tax .0008—that should make a total of 10.41.

Q. And that covers the entire spread between the cost and the average selling price.

The CHAIRMAN: Then, there is no profit included in that

Mr. TUMMON: Yes, he gave that.

The WITNESS: The profit is .0068 per quart.

By Mr. Tummon:

Q. Now, in regard to the surplus milk, Mr. Conklin, you said the percentage of fluid milk purchased at the surplus price, I think, was 26.4?—A. 26.4 per cent.

Q. And in your statement you gave the method that you used in arriving at what is called the surplus milk?—A. Yes, sir.

Q. All right then. Can you give the committee now the average price per 100 pounds paid for this surplus milk separate from the general?—A. No, I haven't got that, I have only the price paid for all.

Q. Can you furnish the committee with that?—A. Yes, I can.

Q. Will you do that?—A. I will do that.

Q. The clerk will make a note of it, I think. Now, you spoke about the charges in regard to the milk that was received at your depot, and you said that on all the surplus milk received there you paid, or you absorbed, the charges on that; Do you?—A. Well, I don't know whether I stated myself clearly. I said that we charged 25 cents a hundred for the manufacturing of cheese and cream, which after all is the same amount as though they were shipped to Montreal. In other words, we take the freight charges and convert it, use it as a conversion cost.

Q. I understand you to say that that milk was received at your depots and that you separated there some, did you?—A. Well, we separated in this way—, there are two interpretations perhaps of the word "separated."

Q. Let us get that right.—A. We have what we call a market milk which is milk that is shipped to Montreal and sold as fluid milk in bottles.

Q. Do you empty that out of your cans at all that you receive it in from the farmer?—A. At the country plants?

Q. Yes?—A. We are not allowed to, no.

Q. You are not allowed to empty that as you receive it from the producer into your depot; you are not allowed to take it out of the cans at all; it must go to the city in the same cans?—A. It has got to go there in the original container. That is a Montreal by-law.

Q. In reality, what you do is to provide ice and cooling conditions for that milk there?—A. And cans.

Q. You furnish the cans that it is being transported in; but the only service you really give to this milk there is just cooling it?—A. Cooling it, loading it, sterilizing—washing the cans.

Q. You don't take samples?—A. We take samples, for butter fat.

Q. Your test for butter fat is done at the depot?—A. Yes.

Q. You don't treat your surplus milk you receive there in the same way, I understand?—A. Well, it is all market milk that comes in there, but we only ship to Montreal according to our requirements, by bottles; the balance is left there and manufactured either into cream or cheese.

Q. Then all the surplus milk that you receive, however, does not come in through depots?—A. Yes.

Q. All that you receive?—A. Yes.

Q. No surplus milk that goes to make up this 26·4 is received other than through your depots?—A. No.

Q. No farmers ship directly in to your factory?—A. You see, the reason we do that is to save the handling charges, in other words the freight charges. It would be useless for a man at Sherbrooke to ship milk to us and manufacture it in Montreal. That is the service we perform for him and ourselves at the country plant.

Q. Some plants are doing that, charging 25 cents a hundred for shipping 3·5 pounds of butter fat?—A. Of course, this is our system.

Q. All right.

By the Chairman:

Q. Just a minute, let me ask one question; you don't mean to say that farmers who ship direct to your plant in Montreal are not paid on the basis of any surplus milk?—A. Yes, they are. What we actually do, we take the entire receipts, and whatever is returned in the entire receipts is blended over the average, whether he is a direct shipper or indirect shipper.

By Mr. Brown:

Q. You use your receiving plant as a regulator of your supplies?—A. Yes, and we feel that we can give it better care, because it comes in under refrigeration; if there are any rejects from the farmer, they are rejected there and not sent to Montreal where he has to pay freight on it.

By Mr. Tummon:

Q. So that all the milk that you have described as surplus milk, does not all go through your receiving depot?—A. Yes.

Q. Well, I thought you told the Chairman just now that it did not?—A. Well, I don't know whether I made myself clear or not.

Q. I wanted to get that.—A. We have two receiving depots—

Q. I know you pay everybody by the same system, but have you not some shippers that instead of shipping to your receiving depots, ship direct into your plant at Montreal?—A. Yes.

Q. Don't they have some surplus milk?—A. Well, they share this surplus.

Q. I know they share, but part of it comes in there?—A. Could I put it this way, it is probably allotted among all shippers.

Q. Yes, but the fellow who ships his milk directly into your plant at Montreal and receives returns the same as surplus milk, does not get the freight paid?—A. No.

Q. He pays the freight?—A. He pays the freight.

Q. But the other fellow,—you pay the freight on the surplus milk?—A. Yes.

Q. In other words, you hold it back at that depot?—A. Yes.

Mr. HACKETT: It is off-set.

Mr. TUMMON: It is off-set on your charge.

By the Chairman:

Q. There is no discrimination between the direct shipper and the indirect shipper?—A. No, they are all charged with their proportion of the surplus.

Mr. TUMMON: You said the amount was 26·4. How do you use—

By Mr. Hackett:

Q. What per cent goes in directly and not through the station, the receiving station?—A. Well, I have not got that figure here. I could give you it roughly.

Q. Just roughly?—A. Do you want that percentage?

By Mr. Tummon:

Q. Roughly what it is.—A. No, I have not got the surplus.

Q. You could furnish that?—A. Yes, I could furnish that.

Q. You will do that?—A. Yes.

Q. Will you tell us what use you make of this surplus milk, how you use it up or dispose of it?—A. We have two means of disposing of it. First of all, we try to sell it and market it at the highest price that will give a return to the farmer, that is in cream form; but there is only limited sales for the cream, and the balance goes into cheese.

Q. And butter?—A. No butter.

Q. You do not make butter?—A. We do not make butter.

Q. You use certain quantities of it for your sweet cream trade?—A. Yes.

Q. Of the surplus milk?—A. Yes.

Q. And I suppose you have quite a sweet cream business?—A. Well, not as much as we had.

Q. Well, there are lots of us in the same way, as far as cream is concerned, too. Do you buy sweet cream from certain producers?—A. No.

Q. Then all the sweet cream that you use in your sweet cream delivery trade in Montreal is derived from this surplus?—A. That is right.

Q. Can you tell us how many pounds of that surplus milk was used in your sweet cream trade?—A. Well, I cannot tell you. We have a record. I will be glad to furnish that.

Q. You will do that?—A. Yes.

Q. Can you tell us what was the average butter fat content; can you say that?—A. On all the milk received?

Q. That was used in your sweet cream trade?—A. I cannot tell you that.

Q. You could not tell us?—A. No.

Q. Could you tell us how many pounds of butter fat that percentage of the surplus contained?—A. Yes.

Q. Will you do that?—A. I will do that.

Q. All right, if you will furnish that. How do you sell that cream, Mr. Conklin?—A. Well, it is sold in various forms, in bulk, and mostly in half pint bottles.

Q. All sold by measure?—A. Well, yes.

Q. I mean by pints?—A. Pints, quarts, and what we call bulk is in cans.

Q. And you sell it then by quality or grade?—A. According to the fat test.

Q. According to the butter fat content; how many grades do you have?—A. We have four.

Q. What are those grades?—A. Ten per cent, fifteen, thirty and forty.

By the Chairman:

Q. That is in accordance with the Montreal by-law?—A. Well, only the labelling. We are required to label the fat content on all of our cans. We can put 50 per cent cream or any percentage we like in, but it must bear the label of the fat content. It generally comes in fives.

By Mr. Tummon:

Q. Can you tell the committee how many quarts of each grade that you sold?—A. Of cream?

Q. Of cream, during the year 1932, I am dealing with. All my questions have been directed to the year 1932.—A. I could do that, but I have not anything on cream with me.

Q. Will you furnish the committee with that information?—A. I would be glad to.

Q. The number of quarts of each grade that you sold during the year 1932. You say you have nothing on cream here?—A. I have nothing on cream, because I came prepared to discuss milk.

Q. Can you tell us the average selling price for each grade?—A. I would be glad to do that.

Mr. BERTRAND: The quantity also.

Mr. HACKETT: He says he can give us the price now.

By Mr. Tummon:

Q. You can give us the price now?—A. No, I don't know the price of the cream.

Mr. BROWN: The prices of each grade.

Mr. TUMMON: The average selling price for each grade for the year 1932, that is the question I asked.

By Mr. Pickel:

Q. What is cream selling for now?

Mr. TUMMON: Well, you ask that after a while. I want to get this thing cleared up. Now, I would like to know—

By Mr. Tummon:

Q. Now, we have covered all your purchases. You say that you buy all your raw product—let us call it raw product—in fluid milk?—A. That is right.

Q. You buy no sweet cream?—A. No. Well, I say no—sometimes if we are short of milk, we might, but that has not happened for years.

Q. If you bought any sweet cream during the year 1932 over and above fluid milk, will you furnish the committee with the amount?—A. Yes, I will be glad to do that.

Q. And the number of pounds of butter fat that it contained?—A. Yes.

Q. Now, you did not buy any churning cream?—A. No.

Q. You do not make butter?—A. We do not make butter.

Q. Now, we have covered first what is called your market price milk; we have covered your surplus milk; we have covered your sweet cream; that includes the only way you dispose of this fluid milk that you purchase?—A. That is right.

The CHAIRMAN: Except buttermilk.

The WITNESS: Well, in buttermilk, which I explained in my paper there.

By Mr. Tummon:

Q. Buttermilk?—A. That is made, as I read in the paper there from the whole milk at the producer price.

Q. Do you make ice cream?—A. We don't make ice cream.

Q. You have not a financial statement with you this morning?—A. No, I have not.

Q. Of your company's year's business for 1932?—A. No, I have not.

Q. Will you furnish the committee with that statement?—A. I will be glad to.

Q. An auditor's statement?—A. I will be glad to.

Q. Certified to, of the business for 1932, showing gross profits or gross loss, and the net profit or net loss?—A. I will be glad to do that.

Q. Thank you.

By the Chairman:

Q. Just before you proceed any further, and any other member of the committee begins to ask questions, I would like to clear up one point there. Is all the milk delivered at your depots from inspected stables?—A. Yes.

Q. And you say you separate a certain amount of that milk for your sweet cream trade?—A. Yes.

Q. Do you pay for that milk which is separated for your sweet cream trade at association prices?—A. No, we do not. We term that as surplus.

Q. That is paid for at surplus prices?—A. Yes, that is paid for at surplus prices; but I might say this, it is always a premium over the cheese price.

Q. Well, is your cream not sold at as high a price for butter fat content as your fluid milk?—A. Well, I have not—I don't just know how to answer that question.

Q. I don't know whether I made my question clear or not; but if for instance, you are paying for this at surplus prices, and are selling it for prices that are on the basis of association prices for fluid milk, it seems to me there must be an undue profit there.—A. Well, I don't think you can take fluid milk for the Montreal association price and separate it and produce as cheap cream as you can by buying it from outsiders, barring our surplus, buying from any others. In other words it is mostly—sweet cream is usually based on the price of butter.

Q. Another question—I will leave that for the moment. I noticed as you went along that you included real and personal taxes in one of your estimates there. What do you mean by personal taxes? Is that income tax and so on?—A. Well, now, I am not really familiar with that subject. I am not an accountant; but I know that our accounts are made up from that list, but I just could not explain that myself.

MR. HACKETT: Probably business taxes as distinct from taxes upon their plant.

THE CHAIRMAN: Well, he mentioned in one place real and personal taxes, which I suppose—

THE WITNESS: I think perhaps I did not finish the sentence—real and personal property taxes.

THE CHAIRMAN: Oh well, I did not understand the word "property" was included. Another question, and then I will keep quiet for a while.

Q. Have you any way of informing the committee how your reserve for bad debts is made up?—A. Well, it is usually based on our previous year's business; and whatever our bad debts were written off the previous year, we generally set up for the current year.

Q. Are your drivers bonded?—A. Yes, they are.

Q. And are they held responsible for their collections?—A. A certain amount of them. We have a rule with our men that we allow them to trust a householder for one week's milk or product; after that, the driver assumes the responsibility, unless he gets an O.K. from our credit manager.

Q. And they are paid wages, I understand, and a commission as well?—A. Yes.

Q. Commission on sales?—A. Yes.

Q. And you do not make any provisions in these commissions for deducting bad debts from them?—A. No; these men are bonded, and in addition to that they have a cash security which they put up to the extent of—well, they are allowed to go as high as \$300, with a minimum of \$150. That provides something for loss in case something happens to the driver that might go astray.

Q. I think it would be wise if you would furnish the committee with a little fuller detail how that reserve is made up, when you make your other reports that have been asked for by Mr. Tummon. Now, gentlemen, any other questions?

By Mr. Brown:

Q. Mr. Conklin, is it understood that the financial statement that the witness has promised to furnish will include such details as were given here by witnesses on former occasions; for instance, the price for bottles and the price for horse-shoeing, and wages, light, heat and coal and sleighs and all those details?—A. I will be glad to give you that on bottles. I have that with me.

Q. Well, we might get that; what I want to point out is that the figures you are giving making up the spread do not convey any idea to our minds at all; that is, we are not able to form any estimates as to whether those charges are fair charges or not. For instance, I will give an example of what I mean. We have in a statement that was made \$3,065.37 for horse-shoeing; the witness says they have forty-five to fifty horses. Fifty horses would take about \$60 a year for horse-shoeing. Now, those of us who have been accustomed to shoeing horses on the farm think that that is a pretty big price, and we would like to know just what the blacksmiths in Montreal charge for shoeing horses. I just give that as an illustration of how impossible it is for us, from the figures you have given, to come to a conclusion as to whether those charges are fair; so that, if you will furnish the details—A. I will be glad to.

Q. That is what we want to know. We won't discuss the matter any further just now. You have said you have the prices of bottles; we would like to know that, because we have come to the conclusion that that is a very heavy charge, so far as evidence has been given.

The CHAIRMAN: Unfortunately, the last two or three witnesses have not furnished us with their annual statement, their financial statement, while they were being examined; and we have no way of asking questions from the witnesses after they have gone. It seems to me we possibly should instruct the clerk to make it imperative that these statements should be furnished by any witnesses in the future.

Mr. TUMMON: Well, Mr. Chairman, as far as I am concerned personally, the information that was not furnished by the previous witnesses of the companies, which I asked Mr. Conklin to furnish here this morning, I want furnished by the witnesses that have gone before; and if it is in order just at this moment, I feel like moving that the clerk move to ask the former witnesses of these companies to supply this, the information of the financial statement and such like of all the companies.

Mr. BROWN: I think the first witness did furnish that.

Mr. TUMMON: Yes, that is the only one.

Mr. BROWN: From the others we have not had that—gave us the total.

Mr. BOWMAN: Are we going to have that resolution?

The CHAIRMAN: What is your motion?

Mr. TUMMON: That these companies be asked to furnish the same information that Mr. Conklin has furnished this morning, and which they have not furnished, including the financial statement.

The CHAIRMAN: To be included in the record, you mean?

Mr. TUMMON: Yes, to be included in the records.

The CHAIRMAN: And accompanied by an affidavit?

Mr. TUMMON: Yes.

Mr. BOWMAN: No; if Mr. Conklin or some representative from his company is going to file a statement of this company, that is of no value to us at all, unless we have some witness or person who can explain the details to us.

The CHAIRMAN: That is what I am afraid of myself.

Mr. BOWMAN: And if the Borden Company are going to give us any information, in my opinion, at least, it is of no value to us unless some one is here to attend before the committee and explain the details.

The CHAIRMAN: You see, that means calling back the witnesses.

Mr. BOWMAN: All right. I suppose if Mr. Conklin himself comes back or a representative of the company that is familiar with the financial set-up of it, and particulars as to how profits and losses are arrived at, that is what we want. Statements are of no value to us.

The CHAIRMAN: That is why I mentioned in the first place that I think it should be made clear to the witnesses that we should have this financial statement when they first appear.

Mr. BOWMAN: Absolutely.

By Mr. Pickel:

Q. Mr. Conklin, what is the average test of milk you receive?

Mr. BOWMAN: Is that understood, Mr. Chairman, that when we get this financial statement from this company, that a representative of the company attend with the statement, somebody that is familiar with the information in the statements that are to be filed with us.

The CHAIRMAN: I don't know whether that can be done, unless the Committee gives the clerk authority to summon the witnesses, you see.

Mr. BOWMAN: In what way? You have a witness here to-day.

The CHAIRMAN: Yes, I know; but he has been properly summoned.

Mr. BOWMAN: All right.

The CHAIRMAN: If he presents this statement, then it is understood that he returns with the statement.

Mr. BOWMAN: Absolutely, or some one who is familiar with the facts, from the company.

The CHAIRMAN: If that is the wish of the committee—

Mr. BROWN: Certainly, that is the only way.

Mr. BOWMAN: Absolutely.

The CHAIRMAN: That is carried, gentlemen, is it?

(Carried)

The CHAIRMAN: Very well, then, Mr. Pickel.

By Mr. Loucks:

Q. Before Mr. Pickel begins, I think Mr. Brown was asking a question in connection with the cost of bottles. You said you could give that.—A. Yes, I have that information.

Mr. BROWN: Yes, we would like to get that.

By Mr. Loucks:

Q. Yes?—A. Is there any particular item, or perhaps we could get at it better if you ask questions.

By Mr. Brown:

Q. Well, my thought was that perhaps you didn't have those full details there; you gave us for instance the percentage of the cost or at least those figures that went to make up the spread?—A. Yes.

Q. But as I said, we have no way of arriving at any conclusion as to whether those particular figures were fair or not?—A. Yes.

Q. We can only do that if we have such figures as I have indicated here in regard to the cost of horse shoeing. You may give the cost of shoeing horses amounting to half a cent or three-quarters of a cent or so much a quart, but we could not tell whether that would be fair or not. As I say, the only possible way for us to arrive at any conclusion as to these figures that make up the spread is to have such a complete statement. For instance, the first firm that appeared before us who gave us those figures, will come back again, I understand, and submit themselves to questioning; but so far, except with the first witness that appeared before us, we have had nothing on which we can form our own conclusions; so that I would like to have a statement with regard to—well, for instance here is one that shows express on cream, wages, bottles, cans, cases, dairy expenses, feed, gasoline and oil, repairs, harness, shoeing, wagons and sleighs. I want a statement from your company that is as complete as this one given us by that witness.

Mr. Loucks: We want it for comparison's sake.

By Mr. Tummon:

Q. What was the total cost of your bottles in 1932?—A. The total cost for all bottles was \$11,715.54.

Q. That included replacements, breakages?—A. That includes just losses. We work on an inventory, and we only charge for what are missing; either they are broken or lost.

Q. That just means losses then?—A. Yes.

Q. That does not mean replacements?—A. No.

Q. Have you got the cost of replacements?—A. Well, I think it would mean the same thing, would it not? For example, a quart bottle cost .053.

Q. Yes?—A. And a pint bottle cost .043; and a half-pint bottle cost .037. If we lose 100 bottles, quart bottles, we lose one hundred times the quart price which is .053.

Q. Yes?—A. That is the way we do it.

By Mr. Hackett:

Q. But they are carried in the inventory at cost?—A. Yes, and charged up there at cost.

By Mr. Brown:

Q. You do not charge the consumer for lost bottles, do you?—A. No, we don't. Only from the stores does the consumer pay a deposit on the bottles.

Q. There is another point I wanted to ask you about; what are your relations, past and present, to the chain stores?—A. Well, we have no relations with them.

By Mr. Bowman:

Q. You don't sell to them?—A. We have not had the opportunity; I would rather put it that way.

By Mr. Brown:

Q. You don't furnish milk to the chain stores?—A. No, we don't; we furnish milk to other stores, that is any store.

Q. Yes?—A. The corner grocery, or anything else.

Q. What price do you furnish them with milk at?—A. Seven cents a quart.

Q. And they sell it at what?—A. Well, they sell at eight, most of them; some of them get nine.

Q. Well, your present price for delivering to the houses is what?—A. It is nine cents.

Q. That is the same as those companies that did have a definite arrangement with the chain stores?—A. Well, on this bottle item, I don't know just really what you want, but I have got some things here that perhaps might be of interest.

By Mr. Tummon:

Q. I think what the committee wants to know is if that \$11,000 in round numbers—I just don't remember the odd figures—if that represents the total amount of your bottle costs for the year 1932?—A. Well, replacement costs.

Q. I know, but if you carried them on your books at their full value, and you broke one and pay five cents it cost you five cents to put that bottle back, and you put that back as a replacement, it is included in that \$11,000; is there any other item beside the bottles?—A. No.

By Mr. Hackett:

Q. Might increase the amount of stock; is that loss based on the inventory or cost price?—A. Well, I think it is all the same, because after all, a bottle I do not think depreciates.

Q. That may be; but there is a fluctuation in the price of bottles?—A. Well, it would be at the cost of the bottle.

Q. Yes; so that if you have 100 bottles which cost you three years ago one dollar or ten dollars and they are broken, your charge would be \$10 quite regardless of what it would cost you to buy another 100 bottles?—A. The average cost would be charged up.

Q. And the price which you would pay for new bottles would be reflected in your inventory for the next year?—A. That is right.

By the Chairman:

Q. Mr. Conklin, I was told the other day by a man who was interested in a distribution company in Montreal, that the average life of a bottle was five trips; can you tell me whether that is a fair statement or not?—A. Well, it does not compare very favourably with our operations. I might tell you that the average trips of our bottles for 1932, taking in all kinds of bottles, quarts, pints and half-pints, was 54.3.

Q. That is very different.

By Mr. Tummon:

Q. You have not any idea how many bottles you carry, how many dozen bottles you have on hand?—A. Yes, on the end of December we had 170,024 bottles.

Q. 170,024 bottles?—A. Yes.

Q. And you handled with that really 26,000,000 and some odd pounds of fluid milk, that is less surplus?—A. Well, could we put it this way, that we handled about 9,000,000 packages of bottles; that would be half-pints, pints and quarts.

Q. The average cost, from the figures that you gave us, would be somewhere around 5 cents a bottle, 4, 5, 6?—A. The average bottle would be .05651 cents.

Q. .05651?—A. That is carrying it to five places.

Q. The average cost would be in excess of 5 cents a bottle?—A. Yes.

Q. Well then, if I were handling about 13,000,000 pounds of milk per year, and had a bottle cost of \$106,000, I should think that would be a very high cost for bottles.—A. Well, our cost was \$11,000 for nearly 9,000,000 packages.

Q. But if you only handle half that quantity of milk and had a higher cost — —A. It all depends on the trips you get out of a bottle. Some work very efficiently on bottle collections.

Q. If it were costing you as I say, you would begin to get busy and check up?—A. Yes, I think I would.

By the Chairman:

Q. What is the average test of the milk you receive?—A. In 1932 it was 3·7 plus.

Q. At your country depots, is pasteurization done there?—A. No, only of the skimmed milk that goes back to the farm.

Q. That is pasteurized?—A. That is pasteurized. That is according to the Dominion regulations.

Q. What about the whey?—A. They do not use much whey because skimmed milk is so cheap, five cents a can, very little whey used.

By Mr. Pickel:

Q. What proportion of the surplus milk received at the depots is churning; how much cheese do you make?—A. I have not—the cheese and the cream together is about 26 per cent over the year, but I have not the records here, to show what the percentage is of cream and what of cheese, but the greater part is cheese.

Q. The surplus was 26 per cent.—A. Yes, the greater part of that was cheese.

Q. Most of that was made into cheese?—A. Yes.

Q. Would you send us in your statement of that fact?—A. Yes, I would be glad to.

Q. How much do you pay your drivers?—A. Well, for the year 1931, the average driver got \$31.66; in 1932, he got \$29.05.

By the Chairman:

Q. Per week?—A. Per week.

By Mr. Pickel:

Q. Per week?—A. Per week.

Q. When did pasteurization come into effect in Montreal?—A. I don't know.

Mr. GOBEL: 1925.

By Mr. Pickel:

Q. Can you give us an idea of the cost of pasteurization?—A. You mean per quart?

Q. Per quart or gallon.

Mr. BROWN: Per gallon.

The WITNESS: Well in this breakdown which I have just produced, expenses include pasteurization and the bottling and washing of the bottles and loading and so on, and it cost us ·0119 cents per quart. Now then, how much of that operation is pasteurization—

Q. It is not very much?—A. Well, it goes to make up this ·0119.

Q. It is not five or six cents a gallon.—A. It could not be because our total cost is ·0119 cents a quart.

Q. Now, Mr. Conklin, how long have you been in business in Montreal?—A. Twenty years, since 1913.

Q. In receiving milk at your depot in Montreal, your distributing plant, comparing prices then and now, how do they compare in regard to the prepared milk for sale?—A. The cost of the operation, you mean?

Q. Yes, the cost of your operation.—A. Well, I don't know, I have not got anything to show.

Q. Would it be any more to-day than it was then?—A. Well, I would say over 20 years ago—

Q. Having in mind bottling methods and so forth?—A. Yes. On the item of wages alone, the men are all getting more than they did 20 years ago.

Q. That has not been reduced. Now, in distributing milk through the city, has it not become much easier; is it not done more easily and quickly by the bottling process than it used to be with the old cans?—A. I would think so, yes, individual customers.

Q. When you came to Montreal, did you establish yourself as an individual plant?—A. Yes.

Q. You started afresh?—A. Yes.

Q. You did not buy any business?—A. We never bought any business.

Q. You bought no business out?—A. No.

Q. Have you bought any since?—A. No.

Q. Your operations in Montreal, are those of an independent company?—Well, it is Borden.

Q. Is it a subsidiary?—A. It is a subsidiary of Borden's Limited.

Q. What is the capitalization?—A. Of our company?

Q. Yes.—A. Capital stock, \$357,500, reserve and surplus \$789,596.38, or a total of \$1,147,096.38.

Q. I suppose that figure totals your assets to-day?—A. I would think so.

Q. That is a true picture?—A. That is the total, yes.

Q. What dividends did you pay on your stock?—A. We did not pay any.

Q. Nothing at all?—A. No.

Q. Your stock is boarded?—A. The parent company is, but not ours.

Q. Who are the stockholders; who is the president?—A. The president of the Borden's Farm Products Limited is A. T. Johnson.

Q. Of Montreal?—A. Of New York.

Q. Who is vice-president?—A. P. D. Fox.

Q. Of—A. New York.

Q. You are the manager?—A. I am the local manager.

Q. Who is the secretary?—A. W. H. Rebman.

Q. Are you just doing business down there for your health and experience? Do you pay an income tax?—A. Do I pay an income tax?

Q. The company.—A. Yes.

Q. How much?—A. I don't know.

Q. That seems to be a difficult thing to get at. What is your main object, is it a philanthropic project, or is it for profit that you are operating?—A. Well, I have always felt we were trying to operate for profit, myself.

Q. How do you estimate that profit? Has the capital stock anything to do with it?—A. Well, I am not really familiar with that subject; I do not think I could talk on it intelligently.

Q. Well, who could, connected with your company?—A. Well, our treasurer, or I could file a statement or something additional to what I have.

Q. Who is the treasurer?—A. E. L. Noetzel.

Q. Of Montreal?—A. New York. If you would like a statement I can get one.

Q. What were your profits during the last year?—A. Profits on a quart of milk 0-0068.

Q. Your total profits?—A. I have not got that.

By Mr. Taylor:

Q. With regard to the profits, you say you paid no dividends. As I figure it up you had a profit of .68 cent per quart, and basing that on your total turnover, it would amount to close to \$200,000, or \$194,000 to be exact. As you paid no dividends, did this profit go to the parent company?—A. Well, I don't know. I have not anything to do with the financial part of our business.

Q. I should like to ask another question with regard to going into the spread, as apparently that has not been taken into consideration. I understand you handled about 28,000,000 pounds of milk, fluid milk, and it sold at an average price of 10.41 cents per quart. I think it takes about 38.38 quarts of milk to make 100 pounds; is that right?—A. 38.8.

Q. That would amount to around about \$38.80 per hundred as the average selling price for your milk. In selling this milk, how do you collect from the distributor? That is, your man who is on the route, does he sell tickets to the consumer?—A. Some.

Q. Some.—A. Some.

Q. Where there are no tickets he collects cash. If I understood you a few moments ago, he is allowed a week to run.—A. That is right.

Q. But you collect your money direct or in advance with the delivery of the milk?—A. No. We do when we sell tickets. But they do not all buy tickets.

Q. You collect when the milk is delivered, or in advance by the tickets?—A. No.

Q. You collect when the milk is delivered, do you not?—A. If they have the money, but usually they pay about once a week, and some pay once a month.

Q. Well then, on this quantity of milk you at least get paid by those to whom you sell tickets, and you get paid in advance, and some to whom you deliver pay you on the spot, and some cannot pay at the time.—A. On the average they do not pay for it when they get it.

Q. They pay weekly?—A. Monthly, weekly, and sometimes they do not pay at all.

Q. Yes, I agree you have some losses, the same as all the rest of us; but the point I want to make is this, when do you pay the purchaser for this milk?—A. We pay him on the 15th of the following month.

Q. That is, you have the use of the money from the time of delivery up until you pay?—A. Yes.

Q. Up until the time you pay to the producer. Have you taken into consideration the interest accumulated on this money during that time, in arranging for your spread?—A. Well, I do not know just how it is worked out, but I assume our outstanding will more than offset our outstanding to the farmer.

Q. I understand in your spread here you allowed for bad debts separate from the 68 cents. I think you allowed separately for bad debts. If I am not mistaken in your statement—I did not get it all down—I think you allowed for bad debts and debts impossible of collection outside of your profit.—A. That is right.

Q. Then you have not taken into consideration in your statement the interest you would get on this money, that is taken in and held before it goes out to the farmer, the producer.—A. No, because I do not think there is any interest if we were—in other words, our outstanding is longer, is over 30 days, our average outstanding to the consumer. Now, our farmers are outstanding or rather our outstanding to the farmer is a trifle over 30 days.

Q. Fifteen days, half a month over.—A. Well, that is if you start from the first of the month; but if you start at the last day of the month it is only 15.

Q. It is a month and 15 days.—A. And from the last of the month it is 15 days.

By Mr. Pickel:

Q. What about the price of cream? You did not give us the price of cream for 1933. What is the price of cream to-day for 10 per cent, 15 per cent, 30 per cent and 40 per cent cream?—A. Well, the top retail price of 10 per cent cream is 8 cents; it is retailing at 8 cents.

By Mr. Hackett:

Q. At what?—A. Eight cents a half pint.

By Mr. Pickel:

Q. A half pint?—A. Fifteen per cent retails at 12 cents; 30 per cent sells for 20 cents, and 40 per cent cream sells for 25 cents.

Q. That is \$1 a quart?—A. Well, that is the top price, the retail price to the consumer.

Q. Basing cream on that price, would it compare favourably with what you pay for milk at association prices in Montreal?—A. I have no figures on that, I do not know.

Mr. TUMMON: He promised to file those.

By Mr. Pickel:

Q. It is taken entirely out of surplus milk?—A. Yes.

By Mr. Bowman:

Q. Mr. Conklin, you gave two items, an item of 01·19 which went to make up a part of the difference between the cost and the sale price, and then you have an item of general and administrative expenses. What portion of that 01·19 was for general and administrative expenses?—A. Well, as I recall production expenses, 01·19, 50 per cent of our administration goes against production expenses, and 50 per cent against selling.

Q. Fifty per cent of that item is for general and administrative expenses.—A. Fifty per cent of our administration goes against production expenses, and 50 per cent against selling, and it goes to help make up the 01·19.

Q. Just exactly what amount have you got there in the breakup of the 01·19 of the general and administrative expenses.—A. I have not got anything. The production expenses is 01·19 which takes into account about 50 items.

Q. But you said one of the items was general and administrative expenses?—A. I have not anything here. One of the items that goes to make up some of those costs, general and administrative expenses, but I have not anything carried out per unit or per quart on general administrative expenses.

Q. What do you mean by saying that out of 01·19 a portion was general and administrative expenses?—A. That is right.

Q. What portion?—A. I don't know.

Q. Then, you also said out of the cost item that you gave us 04·12, there were general and administrative expenses there?—A. Yes.

Q. What is general and administrative expenses?—A. Well, that is half of the total of the general and administrative expenses spread over those two items, one is production expenses, and the other is selling and delivery expenses.

Q. Now, in regard to 04·12?—A. Yes.

Q. Have you the details as to how that 04·12 is broken up?—A. No, I have not.

Q. Your treasurer or whoever will produce the financial statement will be able to give us those details?—A. He will.

Q. What amount last year was set off for bad debts, what actual amount?
—A. I don't know.

Q. But the treasurer will be able to give us that information?—A. Yes.

Q. Upon what do you make a profit besides your whole milk?—A. We make—

Q. You gave us details of the .0068 per quart as the amount made on this spread, which figures to \$194,000 and some odd dollars. On what else do you make a profit?—A. We endeavour to make a profit on every product we sell.

Q. On what others would you make a profit?—A. We have cream.

Q. You make a profit on cream?—A. We do.

Q. What profit did you make last year on cream?—A. I have not got that. I only came here to talk milk.

Q. On what else do you make a profit?—A. Malted milk.

Q. Have you the details of that?—A. I have not.

Q. Your treasurer will be able to give us those details?—A. Yes.

Q. On what else do you make a profit?—A. Cottage cheese.

Q. Have you any details here?—A. No.

Q. What else?—A. Butter.

Q. Butter?—A. Butter.

By Mr. Hackett:

Q. You also sell butter and eggs?—A. Yes, butter and eggs.

By Mr. Bowman:

Q. Let me get it in detail, so we will know on what they do get a profit.
On butter?—A. Yes.

Q. And eggs?—A. Yes.

Q. What else?—A. I think that covers our list.

Q. Buttermilk?—A. We sell buttermilk at no profit.

By Mr. Pickel:

Q. How much do you sell?—A. Very little.

Q. How much do you sell it for?—A. Eight cents a quart.

By Mr. Bowman:

Q. Eight cents a quart?—A. Yes.

Q. Now, I think you said to Mr. Pickel that the company had not paid any dividends; is that correct?—A. Well, I am speaking of 1932.

Q. 1932?—A. Yes.

Q. Do you know the financial set-up of the company?—A. No.

Q. You don't know how much is common stock?—A. I am not familiar with it.

Q. Or what the indebtedness is?—A. No, I am not familiar with the stock.

Q. But you will have somebody from the company who can give us those details?—A. Yes.

Q. In 1931 did they pay any dividends?—A. I don't know.

Q. From the information which you have in hand at the present time, can you give us details as to the profits made by the company in 1932 except the information which you have given us with respect to whole milk?—A. You mean as a total?

Q. As a total, yes.—A. I can.

Q. Do so.—A. Our net income in 1932 was \$96,159.77.

Q. That is net?—A. Net.

By the Chairman:

Q. Net income?—A. Net income.

By Mr. Tummon:

Q. Ninety-six thousand?—A. \$96,159.77.

By Mr. Bowman:

Q. Would you mind telling us how that amount is made up?—A. Well, this is as a result of the sale of all the products I have just mentioned.

Q. What details have you before you?—A. I have not any other than what I gave you.

By Mr. Pickel:

Q. Do you refer to net income or profit?—A. Net income.

By Mr. Bowman:

Q. Is that net income or net profit?—A. Net income.

Q. What is the distinction between net income and net profit by that figure?—A. Well—I am not an accountant. I believe the way it is set up is net profit. From that is deducted income tax and so on, and then after we have in other income like bank interest and so on, that is added to it which gives you the final result of net income.

Q. The reason I asked that is quite clear, Mr. Conklin. You see the net profit on the handling of your milk would be \$194,000, and I should like to know how you show a net income of \$90,000.—A. Of course, I would like to know how that is arrived at.

Q. You are not in a position to say how the \$90,000 is arrived at?

Mr. HACKETT: He would like to know how you arrive at \$196,000.

By Mr. Bowman:

Q. I have taken the figures you gave as the amount of milk which you handled in 1932, 28,610,234 pounds, and I have multiplied that by— —A. I suppose you took out the surplus, there?

Q. No, I did not; I took the 28,610,234 pounds.—A. Of course, that did not all go into bottles, that 28,000,000 pounds.

Q. It did not go into bottles, but you showed what your average profit was in the handling of it.—A. Well, the 28,000,000 pounds is the total of all milk received, but not all milk sold as fluid milk.

Q. What does your figure of 00.68 refer to?—A. That is on a quart bottle of milk.

Q. Well then, how many pounds are there to the quart?—A. 38-8/10ths.

Q. To the quart?—A. 2.58.

The CHAIRMAN: Mr. Bowman, I think the witness gave the number of packages that they had delivered as fluid milk. Could you not arrive at it more directly than that?

By Mr. Bowman:

Q. I should imagine if you divide the result I have here by 2.58— —A. May I suggest this: you take 28,000,000 pounds of milk and deduct from that 26 or 27 per cent that went into cheese and did not go into the bottle of milk—

Mr. PICKEL: Not in cheese.

Mr. TUMMON: It does not make any difference where it goes.

Mr. PICKEL: Quite a share went into cream.

By Mr. Bowman:

Q. In any event you do not know just the exact details of this net income.
—A. No, I cannot tell you the details.

Q. Nor the amount that was written off for bad debts?—A. No, I cannot give you that.

Q. You do not know when the company last paid dividends?—A. No, I don't know that.

By Mr. Pickel:

Q. Are you operating any other company in Montreal besides your company?—A. Well, I am representing the Borden's Farm Products Company, Limited, which is the only company I am in contact with.

Q. Does the Borden Company itself?—A. Yes.

Q. They have another company?—A. Yes, the J. J. Joubert is a subsidiary of Borden's, Limited.

Q. When did they purchase that company?—A. Well, I have not the date, but I would suggest three years ago.

Q. Do you know how much they paid for it?—A. No.

Q. Or the profit on what they bought?—A. No.

By Mr. Bowman:

Q. I think what Mr. Pickel is trying to get at is, does the company on which you are giving evidence, the Borden Company, have any subsidiaries in Montreal?—A. Borden's Farm Products Limited?

Q. Yes.—A. No, we have no subsidiary.

Q. Nor any associate company?—A. No.

By the Chairman:

Q. You say that you have two milk depots?—A. Yes.

Q. The J. J. Joubert Company gets some of their supplies from these depots?
—A. Well, very, very little; they have their own direct shippers.

Q. At the same time those two depots do deliver certain amounts of supplies to the other subsidiaries of the Borden Company?—A. Well, very little. We have done it; if they are short of milk or cream, we would sell them the same as any other dealer, but they depend entirely on their own stock.

Q. Sold on a straight business basis?—A. Yes, just the same as we would sell any other one.

By Mr. Bertrand:

Q. You said a moment ago you were making cheese in your different depots? Who makes the test of the milk in regard to butter fat?—A. We have a qualified milk tester there of our own, and it is also under the supervision of the Dominion Cheese factory inspector.

Q. In Ontario, particularly, the province has different inspectors taking samples of milk and making tests once a month. Are you regulated by that test or your own representative?—A. By our own representative.

Q. So your company makes its own test?—A. We make our own test; we take a sample every day.

By Mr. Tummon:

Q. But you are checked up by the provincial inspector out there?—A. We keep those samples of our own for a period of ten days after we run them, and each sample is kept on a file to be rechecked by the government inspector.

By the Chairman:

Q. Under the supervision of the checkinng of the inspector?—A. Only by our own man, who is a qualified man to test.

By Mr. Bertrand:

Q. Now, you said you were paying association prices to the producer. How do you arrive at the price you paid to the producer?—A. Well, I think I mentioned in the statement there in every case if the price of milk should go down we call on the producers' association and arrange a meeting and the price question is discussed between the producers and the distributors.

Q. May I ask when you come to agree with the producers do you use as a basis the price that is paid in the factories for the making of butter and cheese to determine the price to be paid to the producer?—A. No, we only discuss fluid milk prices, the milk that is to be sold as fluid milk.

Q. What are the factors on which you discuss the price to be paid to the producer?—A. If we feel the price should come down to the producer, we just simply discuss that, that it should come down a certain amount.

Q. What makes you feel the price should come down?—A. Because of the competition we are confronted with on the selling end.

Q. Consequently I understand your basis would be the possibility of selling your milk at so much per quart. You have a set spread fixed guaranteeing your own profit and then you confront the producers, or the association does, simply stating this is the price at which we are going to sell, this is our spread, and this is what is left to you.—A. No, no, the other way around. I believe that any good business concern always takes into consideration the cost of their product, whether it is milk or something else, and to that cost you build up your other costs, which constitutes the price to the consumer.

Q. Are you under the impression that this is what happens with the producers at the present time?—A. I am not familiar with that part of it, but that is the way that worked.

Q. You are very lucky. We were told here by one witness that there was a decline in price of 1 cent per quart lately in Montreal on the selling price of milk?—A. Yes.

Q. We were told also that the distributors needed a certain spread—I suppose for their operations—and that eventually the price of milk would have to go down before very long; is that your opinion?—A. That is not my opinion.

Q. You claim then that your company will be able to pay the same price to the producers for some time to come in spite of the fact that you are selling your milk cheaper in Montreal?—A. No. I would not say that.

Q. On the other hand you said that the reduction of 1 cent per quart that has occurred lately would not compel your company to reduce their price?—A. Will you repeat that?

Q. You said in your former answer that the reduction of 1 cent per quart in the selling price to the consumer in Montreal would not compel you to reduce your price to the producer?—A. If I did say that, all right; but I cannot say that this will not react on the producer some day.

Q. That is exactly what I am coming to. Will the fact of the reduction of 1 cent per quart to the consumer in Montreal lately, react on the price paid to the producer?—A. I cannot answer it, but most likely it will.

Q. It usually does. Consequently, all that the producers have to protect themselves with is to accept what you are going to offer to them after your spread has been safeguarded?—A. No. I would not say that.

By Mr. Dupuis:

Q. What would you say?—A. I would say that everything is in the producer's hands to make his own price.

By Mr. Bertrand:

Q. Explain how?—A. It is just a matter of organization.

Q. Are you aware that there is a certain competition among producers selling milk at a cheaper rate than the association price in Montreal?—A. I am very much aware of it, and also that the consumers are buying at a cheaper price as a result of it.

Q. May I ask if you welcome that competition?—A. We do not.

Q. May I ask if you could suggest something to prevent that competition?—A. No. I do not know that I have anything to suggest. That is what I think we are all trying to find out—how to do it; but I do not know how it is going to be done.

Q. You are probably aware that the producer is selling below the cost of production at the present time?—A. I am not familiar with that.

Q. Does it not seem funny to the company you represent and other companies who are fixing these prices that it necessitates a spread of 6 cents a quart and over to deliver the milk while the producer has to cover his whole cost of production in the raising of cattle and the keeping up of his farm for 2 cents per quart after transportation charges are taken off? Now, do you think that sounds reasonable?—A. Well, I know it takes the 6 cents to distribute it. I do not know about the production.

Q. You have answered indirectly; but still you said a moment ago that the producers were treated on a businessman's basis, and they were paid for the real fair value of the produce they were delivering?—A. I believe they are paid what they ask.

By Mr. Wilson:

Q. Do you think the producer is paid a fair price for his product?—A. No, I do not.

Q. Could you give any estimate, if the producers' price was based upon the same basis as yours is, what he would be getting for milk—I mean with everything added as you have added it to your overhead?—A. There is a wide opinion on that; but I am sure I could not answer the question on the cost of production.

Q. You say you do not think he is getting enough?—A. Yes, I do not think he is getting enough.

Q. What did you say you paid to the drivers per week?—A. In 1931 we paid \$31.66—that is an average—in 1932 we paid \$29.05.

Q. Do you allow them any commission?—A. Their commission is included. That is their total earnings.

Q. What is their straight salary without commission?—A. In 1931 and 1932 it was \$21, plus 4 per cent on the money turned in on the collections.

Q. Where do you get your losses? In your case, I suppose, the drivers buy tickets from you?—A. Yes.

Q. You stated that they would let a customer alone for a week?—A. Yes.

Q. And then you cut the customer off?—A. No.

Q. What did you do? Who is responsible after that week for the loss?—A. Our company.

Q. Not the driver?—A. Not the driver.

Q. What is the driver responsible for?—A. He is responsible for collecting money. That is, it is part of his salary. He gets 4 per cent of the money collected. Naturally, he is a good collector.

Q. But you do not cut your customers off after the end of the week?—A. It all depends on the risk. We have some customers that are good risks at a month and two months. We have others that are not so good.

Q. Where does the greatest amount of your loss come from?—A. You mean on bad debts?

Q. Yes? Where do you get your losses from? I do not mean outside of the losses of milk bottles. Do you get your losses from non-collection returns?—A. Yes. There is some loss there.

Q. Is any of this charged up to the driver?—A. Only after the first week. If we put a stop on the first week, and the delivery man trusts it after that period why he is responsible.

By Mr. Hackett:

Q. After the stop has been put on?—A. After we put the stop on. We have a control on that.

By Mr. Wilson:

Q. But he must stop?—A. Yes.

Q. That portion of the loss is accountable for?—A. Yes, that portion after the stop has been put on, he is responsible for that.

By Mr. Brown:

Q. Have you ever considered the question of making the delivery man responsible for the bottles?—A. Well, we have not, because we feel that we have a very efficient operation on bottles.

Q. It is the custom, is it not, for all those who handle soft drinks of one kind or another to require a deposit on their bottles?—A. Yes.

Q. And they probably do not lose as much on bottles as you do?—A. I do not know.

Q. I think we can take it for granted that if they paid a deposit on them they do not. From the standpoint of the farmer—of the producer of milk, don't you think he would benefit if you were a little more rigid in requiring the return of the bottles?—A. Well, I believe we are very rigid in our company because we get around sixty some trips per bottle.

Q. It is worth considering, I think, as to whether you might not make the driver responsible for your bottles.

By Mr. Tummon:

Q. Mr. Conklin, how often do you make a check-up on the operations of the company—weekly or monthly?—A. Do you mean with our men? Q. On the general operation of the company—your deliveries and your profits and so on?—A. That is done monthly.

Q. That statement is made up monthly, but don't you make a check-up more than each month?—A. As far as the driver is concerned, we check him up in the morning and check him back at night. That is done daily.

Q. What about your supplies?—A. Our supplies?

Q. Your receipts of milk and your sales?—A. That is done daily.

Q. At the end of each week you have a pretty fair idea as to what business has been transacted during the week and the profit and loss made?—A. We would know about the business done, but we would not know about the end of the week—until the month had closed.

Q. Would you have an idea?—A. No, not very well. We would know what we sold in quantity, but not in profit.

Q. Mr. Bertrand spoke of the drop in the price of 1 cent a quart to the consumer?—A. Yes.

Q. When did that take place?—A. February 27th.

Q. Have you checked up since as to whether you are operating at a loss or a profit?—A. No. I do not feel we have to check. I feel it is going to be at a loss.

Q. You feel it is?—A. I feel it is.

Q. But you have not checked at all?—A. I only know in the statement I gave you that there is a profit of 00 something on a quart of milk, and if you take a cent off that we are certainly in red figures.

Q. Will you say here this morning that your company has, since the 27th day of February, operated at a loss?—A. I would not make a positive statement of that, because I am only going by our past performance that we only made in 1932, a net profit on a quart bottle of milk of .0068, and if we were to sell at a cent less and pay the same price I would assume we would be in red figures.

Q. On February 27th, when you agreed to this reduction to the consumer of a cent a quart, your company knew that they were going to operate at a loss?—A. Well, perhaps we did.

Q. Well, did you or did you not?—A. There was nothing else to do to meet the situation there as it was.

Q. That is the point I am trying to make. You deliberately did set out to operate at a loss from February 27th on?—A. I would say so.

Q. Previously in the history of your company had you done that?—A. Yes. When we started our company we ran years at a loss.

Q. Twenty years ago?—A. Yes. In order to build up the business, due to the small volume.

Q. Apart from that period of 20 years, you have been able, nevertheless, to set up reserves of double the amount of your original capital stock; is that not so?—A. I would say so.

Q. So that taking the whole 20 years into consideration you have not done too badly?—A. We operated at a profit.

Q. Can you say at what period during the last two or three years—perhaps 1930 and 1931—that you deliberately set out with the policy of operating in the red?—A. No, we have not.

Q. So that February 27th last was the first time?—A. Yes.

Q. Within your memory?—A. Yes.

Q. The first time that you know that your company set out to operate at a loss and without passing on to the producer the loss which you now say you believe you are operating at?—A. Yes, on a quart bottle of milk.

Q. And just what was it that induced the company to make this new departure?—A. Well, we had nothing else to do to meet the competition of the other dealers selling at a lower price.

Q. In the past 20 years you had something else to do and passed it on to the producer?—A. I do not think it could be passed on in this instance.

Q. You do not think at this time it could be passed on?—A. No.

Q. So that a new state of affairs has arisen in the milk situation during the past month?—A. Well, so far.

By Mr. Brown:

Q. I think, Mr. Chairman, it is desirable to emphasize that point again—the point made by Mr. Bowman and Mr. Bertrand—coupling it up with the evidence that was given by former witnesses who testified that pressure had been brought to bear on them by the chain stores, and it was because of that pressure that they had to reduce the price of house-to-house delivery by 1 cent. Now, Mr. Conklin, was that the reason why you had to submit as well as the others?—A. I could not make that statement frankly because we do not serve any chain stores. On the other hand, it is pretty hard for us to sell our milk at a higher price than a company that sells to chain stores.

Q. I wanted to couple up the evidence given by former witnesses with your admission that you have been compelled by competition to reduce the price to 9 cents?—A. Yes.

By Hon. Mr. Weir:

Q. Supposing you delivered all your milk without competition in a particular zone, what would you estimate to be the reduction in the cost of delivering milk in Montreal?—A. I could not say.

Q. I wonder what you pay for the duplication?—A. There is some overlapping due to the number of milkmen on the same route.

Q. Would it be possible to get an accurate estimate on that?

By Mr. Tummon:

Q. Mr. Conklin, in order that we may clear up that profit for a quart of milk in figures that an ordinary chap, like myself, can understand. You said the profit per quart of milk was 00·68.—A. That is right.

Q. If I figure that correctly that means, in round numbers, two-thirds of a cent a quart?—A. Yes.

Q. Really 00·66 would be two-thirds?—A. Yes.

Q. Right, I just wanted to clear that up. Now then, in addition to the competition from the chain stores, we were told in former evidence that a certain distributing plant in Montreal sold to a chain store, and that chain store sold it out retail at 5 cents a quart. Do you know that for a fact, Mr. Conklin?—A. I don't know about the 5 cents; but I know the stores are selling there now at 7 cents.

Q. Some of the stores are; some of the other stores are selling at eight?—A. Some of them are selling at eight.

Q. And that has the effect of depressing the price to the consumer; or what was the price per quart?—A. Yes.

Q. And that reduction was not passed on to the producer at the time?—A. No, it was not.

Q. Now, are there any other factors which enter into the question that have a tendency to reduce the price in Montreal, and thus force the price down to the producer? We were told that there were 410 distributors, or dealers, in the city of Montreal; or about 410?—A. Well, that is my understanding. There were over 400 milk dealers did take out licences during the year 1932.

Q. Now then, do you know how many pasteurizing plants there are in Montreal?—A. I am told there are 33.

Q. Then the difference between the 33 and the 410 would be just simply jobbers, or dealers?—A. Yes.

Q. How do these jobbers operate?—A. Well, my understanding is that they go to one of the distributing plants and buy a quart of milk, or their quantity at so much per quart, and sell it at whatever price they wish to sell it at.

Q. So that if you and some of the other distributing plants were delivering in a certain section, and a driver was dismissed or in some way left—some person let out—some person else could come along, go to the city hall and get a licence, and he could go to certain distributors in Montreal and buy, say a couple of hundred quarts of milk, and go into the district and cut prices to anything he liked?—A. That is true.

Q. Has that factor had a depressing effect upon prices?—A. It has.

Q. Has it had much of an effect?—A. Well, I would say a lot.

Q. Has it had a tendency in the past, that you know of, to depress the price to the farmer, or to the producer?—A. Yes. I would say that it reacts there in the end.

Q. I want to say just there, in all fairness to the witness, I can understand his attitude in business, and what his ambitions are for his company—I can understand the position he is in in meeting these different competitors; I wanted to know if there were conditions that you had to meet, and that is

one of them, that have a tendency to react back. I would say then that that condition, and the condition that has been brought about by the chain stores, are two things that are having a tendency to reflect back a reduced price to the producer?—A. I would say so, yes.

By the Chairman:

Q. I just wanted to ask one question about this chain store competition. Other witnesses have told us that it was because of that chain store competition that the reduction in price of one cent per quart was made. I have been told, on the other hand, from private sources, that these chain stores only keep a very limited quantity of this cheap milk on their shelves and not nearly enough for their total sales during the day. Do you know anything in that regard?—A. No, I do not. We do not serve any chain stores.

Q. It is only a feature and after their 25 or 50 bottles are gone they revert to the original price, you know nothing about that?—A. No.

By Mr. Dupuis:

Q. How long have you been manager of the Borden Dairy?—A. I beg your pardon.

Q. How long have you been manager of the Borden Dairy?—A. Ten years.

Q. I understand that you have not brought your books with you?—A. No, I haven't.

Q. May I be allowed, Mr. Chairman, to bring this to your attention, to see why this committee is not empowered with the right to call witnesses "duces decum", which means to say, "bring with them" the books of their company, so that the witnesses will not be put to the wall in saying, "I don't know," "I am not sure," "I feel," and all that sort of thing, for which the witness is not to blame.

Mr. TUMMON: That was discussed before you came here.

Mr. DUPUIS: That is all right. I just want to put my view on record the same as the others. I am a member of Parliament, as well as any other member of this Committee.

Mr. GOBEL: Mr. Chairman, I haven't said one word. I was here, one of the first; and I wish to protest against that remark. If a member of the Committee is to come here at twelve o'clock when the information that the meeting started at 10.30 has been given, and start the work all over again, we might just as well give it up. I have one or two questions of my own to ask. I haven't tried to force myself in to ask these questions, but I will never have a chance to ask them if we start all over again.

Mr. DUPUIS: The hon. member is not very kind to his colleague, because I think it is the first time I have seen him here.

Mr. BOWMAN: Oh, no, it isn't.

Mr. DUPUIS: Just a minute. In due justice to members, everyone of us knows that sometimes we have some other duties to fulfil which do not permit us to be here on time, and we may be ten minutes late; and I think it is unfortunate that any member will try to put on record that another is late. Nevertheless, I am glad that it is decided that witnesses should come with their books, so that the Committee will have the proper information.

By Mr. Dupuis:

Q. So, you say that you have been the manager of that company for ten years?—A. Yes.

Q. Were you employed with that company before?—A. Yes.

Q. How many years?—A. Twenty-eight years.

Q. So you are conversant with your business. Would you kindly tell us from memory, because you haven't got your books, the average price of a quart of milk in, let us say, in the summer time since 1925, year by year?—A. I could; but I will be glad to file this statement that I read with your committee.

Mr. MULLINS: The witness gave that statement.

By Mr. Dupuis:

Q. Yes, but I just want to come to another conclusion; can you tell us the price at which you sold to consumers in 1927?—A. No, I could not tell you that.

Q. Was it cheaper than or more costly than in 1933?—A. I could not tell you that because I haven't any records with me, only 1931 and 1932.

Q. Just 1931 and 1932. So, although a member of the committee said you gave that before, you did not give it?—A. I was not asked to give it. I was only asked to give 1932, and I gave 1932.

Q. I see. I am asking for 1925, and then on to 1932 year by year. Could you provide the committee with these reports?—A. I could.

Q. Now, I want you to file with the committee further information. Can you tell the committee how much you paid the producer for milk, by the 100 pounds or by the gallon, since 1925, year by year up to 1933?—A. Yes, I can do that.

Q. How do you buy the milk from the farmers? Do they send their milk to your factory—do you pay the cost of transportation?—A. Oh yes, in some cases.

The CHAIRMAN: Before we go any further, some protest was made about members in the committee coming in and asking questions that had already been asked. I think that that point is very well taken. There are sixty members of the committee and everyone has an equal right. But, I think, to further the proceedings of the committee and get along as rapidly as possible, it might be well if we could refrain from asking duplicate questions from time to time, questions that have already been answered. I would ask the committee as far as possible to refrain from doing that.

By Mr. Gobeil:

Q. I just have one or two questions. In answer to Mr. Bertrand a few minutes ago you said that when the price of milk was determined between the producers and the distributors that the price of butter and cheese was not taken into consideration?—A. No.

Q. Do you believe that at the present time and under present conditions the distributors could reduce the prices paid to the producer?—A. On what he is getting now?

Q. Yes?—A. I would not recommend it.

Q. Do you think they would keep on delivering if they did that?—A. You mean, would the producer continue to deliver?—A. Yes.—A. That is a question I could not very well answer.

Q. I was figuring out by the figures given here this morning that the price paid—the association price, or the market price as you call it—was around 90 cents a 100 pounds. Now, at the actual price of butter, taking for granted the average percentage of butterfat delivered in the city of Montreal, which has been estimated as being 3.7, the price paid to the farmer per pound of butterfat on the basis of 100 pounds of milk, would be about 92 cents?—A. That is for 3.5 milk.

Q. That is for 3·7?—A. No, not for 3·7.

Q. I mean, paid to the farmer by the butter factory men?—A. Oh, I don't know.

Q. My reason is, I feel like Mr. Bertrand, that when these prices are established you must consider something as a basis. It is not only a question of saying we will pay 3, or 5, or 1, or 4 a quart; and my point is, that you said that eventually this reduction to the consumer would reflect to the producer. My question is, would it be possible at the actual price of butter to reduce the price to the producer, and for you distributors to keep your trade?—A. As I said before I do not believe the Producer is getting too much for his milk. I do not feel he is getting enough as far as I am concerned.

By Mr. Hackett:

Q. I think what Mr. Gobeil means by his question is whether or not the price of butter has not a bearing on the price of milk, and if you reduce the price of raw milk, so low that it is preferable for the farmer to convert his milk into butter, you won't get it; I think that is his question.—A. That is right.

Q. That is butter prices have a bearing upon the price of milk—butter fat.

By Mr. Brown:

Q. I want to ask one more question. I want to be sure in my mind that I got your answer correctly, that is on the matter of surplus again. I may say it seems to me from your evidence that you have given us the most satisfactory method of handling surplus of any company we have had. Do I understand that you use your two depots, one at Ormstown and one at Maxville as a means of regulating the amount of milk that you distribute in the city?—A. That is right.

Q. Yes; and then at those two points you are able to use your surplus, if I have it correctly, more advantageously than if you were taking all the milk into Montreal and handling it there?—A. Well, that is one reason we have that plan. We feel it is a right plan.

The CHAIRMAN: Well, gentlemen, it is one o'clock.

By Mr. Pickel:

Q. I will be short, Mr. Chairman. You charge 18 cents a hundred on the market rate received at the depots of Ormstown and Maxville?—A. Yes.

Q. How much does that amount to?—A. You mean during a month?

Q. Yes?—A. Well, I don't know. I have not any figures with me.

Q. You have not the percentage; you will file that with the others?—A. Yes, I will.

Q. We were talking about the distribution of milk here. What about the profit on cream? Is that not just as remunerative and a little more so than milk?—A. Perhaps it is, yes.

Q. There is more in it?—A. Yes, if you can sell it; because really to-day cream is a luxury, and it is pretty hard to sell.

Q. But there is more in distributing it than there is in milk?—A. Yes.

Q. Net income, \$96,000?—A. \$96,000.

Mr. BOWMAN: \$90,000, was it not?

Mr. PICKEL: \$96,000.

By Mr. Pickel:

Q. What does that mean? Does that mean after all expenses are paid?
—A. That means net income after all expenses are paid.

Q. What is done with it?—A. I don't know.

Q. No dividends paid?—A. There is no dividend.

Q. Given out to the hospitals?—A. There is no dividend in 1932.

Q. That is after your salary is paid?—A. Yes.

Q. And all the officials?—A. Yes.

Q. Will you kindly file, Mr. Conklin, a statement here of the other officials' salaries?—A. Yes.

The CHAIRMAN: All right.

Mr. BOWMAN: Before we adjourn, it is to be understood that witnesses from this company produce the necessary financial statement, showing the set up of the company, and so forth, at such time as the Chairman may ask for him to attend.

The CHAIRMAN: Yes, that is understood, gentlemen. We will meet again on Monday morning, at eleven o'clock.

The Committee adjourned, to meet on Monday, March 27, at 11 a.m.

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SESSION 1933
HOUSE OF COMMONS

Government
Publications

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

FRIDAY, MARCH 24, 1933

No. 8A

Supplement to No. 8

Reference,—Milk and Milk Products

Documents filed by E. H. Conklin, General Manager, Borden's Farm
Products Company, Limited, Montreal.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933

BORDEN'S FARM PRODUCTS CO. LIMITED,
703 DOMINION SQ. BLDG., MONTREAL, QUE.

**DATA PERTAINING TO EVIDENCE GIVEN BEFORE THE COMMITTEE
ON AGRICULTURE AND COLONIZATION, MARCH 24, 1933**

**INDEX OF INFORMATION REQUIRED BY AGRICULTURAL
COMMITTEE**

Document Number	Page (-)	Question
1	251	Average price per 100 pounds of milk paid for surplus.
2	252	Per cent of milk shipped direct to Montreal. Per cent of milk shipped indirect through country plants.
3	253	Pounds of surplus milk into cream.
4	253	Pounds of butterfat for sweet cream that per cent of surplus contained.
5	253	Number of quarts of each grade of cream sold.
6	254	Average selling price of each grade of cream.
7	254	Quantity of cream bought outside of Ormstown.
8	254	Number of pounds of butterfat it contained.
9	254	Financial statement for 1932.
10	260	Per cent of surplus into cream.
11	260	Per cent of surplus into cheese.
12	264	Amount set up for bad debts in 1932. (See Financial State- ment).
13	264	Financial set-up of company.
14	274	Returns, by months, from 18 cent handling charge at Maxville and Ormstown factories.
15	275	Officials' salaries.

(-) Page number in official Minutes of Proceedings.

(1)

BORDEN'S FARM PRODUCTS CO. LIMITED

703 DOMINION SQUARE BUILDING, MONTREAL, QUE.

1A.—AVERAGE PRICE PAID PER CWT. OF MILK FOR SURPLUS

1932

January.....	\$ 1.0869
February.....	1.2557
March.....	1.1226
April.....	0.8668
May.....	0.8327
June.....	0.8427
July.....	0.7914
August.....	0.8554
September.....	0.9614
October.....	0.9532
November.....	1.1102
December.....	0.9997

Average for 3.5 milk..... \$ 0.9732

Compiled March 31, 1933.

(2)

BORDEN'S FARM PRODUCTS CO. LIMITED

703 DOMINION SQUARE BUILDING, MONTREAL, QUE.

QUANTITIES AND PERCENTAGES OF MILK SHIPPED DIRECT AND INDIRECT TO MONTREAL

1932	Total receipts	Shipped direct		To Country plants	
	lb.	lb.	%	lb.	%
January.....	2,356,950	644,602	27.34	1,712,348	72.66
February.....	2,238,168	567,024	25.33	1,671,114	74.67
March.....	2,410,512	536,552	22.25	1,873,960	77.75
April.....	2,470,068	573,291	23.20	1,896,777	76.80
May.....	2,649,601	642,052	24.23	2,007,549	75.77
June.....	3,150,814	707,394	22.45	2,443,420	77.55
July.....	2,627,603	592,237	22.53	2,035,366	77.47
August.....	2,130,433	499,953	23.46	1,630,480	76.54
September.....	2,388,308	527,503	22.08	1,860,805	77.92
October.....	2,259,924	540,323	23.90	1,719,601	76.10
November.....	1,900,346	468,636	24.66	1,431,710	75.34
December.....	2,027,507	526,323	25.95	1,501,184	74.05
Total.....	28,610,234	6,825,890	23.85	21,784,344	76.15

Compiled March 31, 1933.

(3 and 4)

BORDEN'S FARM PRODUCTS CO. LIMITED

703 DOMINION SQUARE BUILDING, MONTREAL, QUE.

March 31, 1933.

POUNDS OF SURPLUS MILK INTO CREAM

1932	Milk	Butterfat
	lb.	lb.
January.....	213,654	7,482
February.....	391,694	13,707
March.....	269,058	9,289
April.....	254,413	7,792
May.....	19,115	672
June.....		
July.....		
August.....		
September.....	63,760	2,400
October.....	115,953	4,320
November.....	266,491	9,721
December.....		
Total.....	1,594,138	55,383

(5 and 6)

BORDEN'S FARM PRODUCTS CO. LIMITED

703 DOMINION SQUARE BUILDING, MONTREAL, QUE.

March 31, 1933.

1932	15% Cream			20% Sour Cream			25% Cream			30% Cream		
	No. of ½ pts.	Value	Aver. per ½ pt.	No. of ½ pts.	Value	Aver. per ½ pt.	No. of ½ pts.	Value	Aver. per ½ pts.	No. of ½ pts.	Value	Aver. per ½ pts.
		\$ cts.			\$ cts.			\$ cts.			\$ cts.	
January.....	53,452	6,854 08	-1285	3,659	442 62	-1209	12,435	2,475 56	-1990	17,918	3,464 84	-1933
February.....	43,383	5,937 85	-1368	3,829	462 00	-1206	11,501	2,287 03	-1988	36,605	4,574 13	-1249
March.....	45,557	6,235 51	-1368	4,126	512 73	-1242	11,833	2,353 81	-1989	23,808	3,565 21	-1497
April.....	41,475	5,647 42	-1361	3,267	395 54	-1210	10,950	2,179 14	-1990	9,086	2,119 53	-2332
May.....	45,587	6,225 53	-1365	5,867	700 35	-1193	11,836	2,352 23	-1987	41,199	4,801 50	-1165
June.....	38,999	5,331 61	-1367	5,747	672 91	-1170	9,910	1,966 96	-1984	13,412	2,329 77	-1737
July.....	35,997	4,863 49	-1351	4,009	489 49	-1220	7,668	1,522 44	-1985	6,971	1,617 23	-2319
August.....	33,189	4,463 59	-1344	3,493	404 38	-1157	7,175	1,425 84	-1987	5,845	1,187 58	-2031
September.....	35,290	4,755 79	-1348	2,826	343 29	-1214	8,731	1,736 08	-1988	7,381	1,340 54	-1816
October.....	36,709	4,976 47	-1355	2,969	361 09	-1216	9,634	1,904 92	-1977	15,351	2,275 55	-1482
November.....	33,392	4,499 98	-1347	3,011	354 60	-1177	8,963	1,767 56	-1972	24,535	2,957 49	-1205
December.....	33,256	4,491 61	-1350	3,153	415 98	-1319	10,355	1,946 30	-1879	25,688	3,562 81	-1386
Total.....	476,286	64,282 93	-1349	45,956	5,554 98	-1208	120,991	23,917 87	-1976	227,799	33,796 18	-1483

SUMMARY

Grade	No. of ½ pts.	Value	Aver. per ½ pt.
		\$ cts.	\$
15%.....	476,286	64,282 93	0-1349
20%.....	45,956	5,554 98	0-1208
25%.....	120,991	23,917 87	0-1976
35%.....	227,799	33,796 18	0-1483
Total.....	871,032	127,551 96	0-1464

(7 and 8)

BORDEN'S FARM PRODUCTS CO. LIMITED

703 DOMINION SQUARE BUILDING, MONTREAL, QUE.

March 31, 1933.

CREAM PURCHASED FROM OUTSIDE SOURCES

1932	Pounds cream	Pounds butterfat
January.....	1,442	493
February.....	1,292	526
March.....	1,342	549
April.....	1,352	529
May.....	1,695	639
June.....	1,735	683
July.....	1,312	547
August.....	1,127	474
September.....	930	432
October.....	395	172
November.....		
December.....		
Total.....	12,622	5,044

(9 and 12)

BORDEN'S FARM PRODUCTS CO. LIMITED
ANALYSED STATEMENT OF NET INCOME FOR YEAR ENDING
DECEMBER 31, 1932

	Year 1932	Percentage of net sales
	\$ cts.	
Net Sales.....	1,047,429 85	
<i>COST OF SALES</i>		
<i>Cost of Products</i>		
Milk and milk products (including freight and hauling).....	381,409 61	36.414
Purchased butter, eggs, cheese and malted milk.....	58,777 95	5.611
Total cost of products.....	440,187 56	42.025
<i>Production Expense</i>		
Salaries and wages.....	64,568 63	6.164
Expense.....	24,443 35	2.334
Materials.....	34,167 11	3.262
Depreciation.....	14,551 05	1.389
Insurance.....	1,190 16	0.114
Taxes.....	2,466 35	0.235
Other property expense.....	78 99	0.007
Administrative expense—Actual.....	3,588 64	0.343
Administrative expense—Transferred.....	5,489 72	0.525
Total production expense.....	150,544 00	14.373
<i>Selling and Delivery Expense</i>		
Salaries, wages and commissions.....	223,536 06	21.341
Expense.....	44,925 80	4.289
Materials.....	21,795 45	2.081
Depreciation.....	18,677 50	1.783
Insurance.....	1,484 79	0.142
Taxes.....	5,553 75	0.530
Other property expense.....	2,250 44	0.214
Administrative expense—Actual.....	3,588 65	0.343
Administrative expense—Transferred.....	5,489 72	0.524
Total selling and delivery expense.....	327,302 16	31.247
Provision for bad debts.....	3,797 69	0.363
Advertising.....	15,045 46	1.436
Bottle, box and can loss, including repairs.....	15,671 80	1.496
Total cost of sales.....	952,548 67	90.942
Net profit.....	94,881 18	
<i>Income Additions</i>		
Interest received—Net.....	10,367 31	(0.990)
Profit or loss on materials sold.....	99 28	(0.009)
Miscellaneous.....	5,087 39	(0.486)
Total income additions.....	15,553 98	(1.485)
<i>Income Deductions</i>		
Dominion income tax.....	13,685 15	1.307
Provincial franchise or corporation tax.....	590 24	0.056
Total income deductions.....	14,275 39	1.363
Net income additions.....	1,278 59	
Net income.....	96,159 77	9.180
		100.00

(No provision was made in 1932 for 1½% Provincial Corporation Tax, or additional .95 increase in Dominion Income Tax.)

(9A)

BORDEN'S FARM PRODUCTS CO. LIMITED

SCHEDULE SHOWING THE GENERAL COMPOSITION OF COST OF GOODS SOLD. ITEMS
APPEARING ON ANALYZED STATEMENT OF NET INCOME FOR THE MONTH
AND YEAR ENDED DECEMBER 31, 1932.

COST OF PRODUCTS

Purchase cost of all goods sold, including cost of freight and hauling to Montreal
pasteurizing plant.

PRODUCTION EXPENSE

Salaries and Wages.—Salaries of Factory Superintendents and Production Department and wages of plant employees.

Expense.—Includes electricity, general freight and express, and Factory and Production Department expenses other than labour, material, and property expense.

Materials.—Coal and fuel oil, ice, bottle caps and wires, and miscellaneous supplies.

Plant Orders.—Maintenance of buildings, machinery and equipment.

Depreciation.—Depreciation charges by classes of properties:—

	Annual Rate
Buildings..	2½% and 3½%
Machinery and equipment..	6 % and 8 %
Wagons..	10 %
Horses..	\$36 per horse
Harness..	10 %

Insurance.—Principally fire insurance charges.

Taxes.—Real and personal property taxes, licence fees, etc.

Other Property Expense.—Rents, provisions for reserve for accidents, etc.

General and Administrative Expense.—50 per cent of General and Administrative salaries and expenses.

SELLING EXPENSE

Salaries and Wages.—Salaries of branch superintendents and Sales Department and wages for routesalesmen and branch employees.

Commissions.—Commissions paid to routesalesmen on the basis of points sold and cash collected, including cut money.

Expense.—Electricity, waste products, breakfast for men, and Branch and Sales Department expenses other than labour, material or property expense; also hauling from Pasteurizing Plant to branches, and miscellaneous expenses.

Materials.—Feed and bedding, ice and miscellaneous supplies.

Plant Orders.—Maintenance expense of buildings, machinery and equipment.

Depreciation.—Depreciation charges by classes of properties:—

	Annual Rate
Buildings	2 $\frac{1}{4}$ % and 3 $\frac{1}{4}$ %
Machinery and equipment	6 % and 8 %
Furniture and fixtures	7 %
Electric signs	33 $\frac{1}{3}$ %
Automobiles	16 $\frac{2}{3}$ % and 25%
Harness	10%
Wagons	10%
Horses	\$36 per horse

Insurance.—Principally fire insurance charges.

Taxes.—Real and personal property taxes, licence fees, etc.

Other Property Expense.—Rents, provisions for reserve for accidents, etc.

General and Administrative Expense.—50 per cent of General and Administrative salaries and expenses.

Reserve for Bad Debts.—Provisions for reserve for doubtful accounts, based on prior year's percentage of actual losses to sales.

Publicity.—Advertising expenditures.

Container Losses and Repairs.—Cost of bottles, boxes and cans lost and destroyed.

Credit—Broken Glass Sold.—Proceeds from sale of broken bottles.

(9B)

BORDEN'S FARM PRODUCTS CO. LIMITED

STATEMENT OF OPERATING RESULTS—BY PRODUCTS FOR TWELVE MONTHS
ENDING DECEMBER 31, 1932—ALSO UNIT AVERAGES

(Figures in parenthesis to be considered in Red)

Operating results	Cream, $\frac{1}{2}$ pts.	Certified milk, quarts	Selected milk, quarts	Milk bottles and bulk, quarts	Butter- milk, quarts	Malted milk, pounds
Sales—Net.....	\$127,551 96	\$1,553 75	\$23,911 07	\$756,415 26	\$3,467 83	\$6,396 11
Net profit.....	34,386 59	13 77	2,411 04	54,449 53	(97-25)	457 21
Quantities.....	871,032	6,215	174,503	7,342,873	35,568	12,683
Unit averages—						
Sales.....	0-1464	0-2500	0-1370	0-1030	0-0975	0-5043
Cost of product.....	0-0550	0-1995	0-0599	0-0414	0-0114	0-4131
Production expense.....	0-0196		0-0168	0-0119	0-0506	
Selling and delivery ex- pense.....	0-0313	0-0469	0-0449	0-0405	0-0369	0-0552
Container costs.....	0-0010	0-0014	0-0016	0-0018	0-0013	
Income tax.....	0-0045	0-0003	0-0016	0-0009	(0-0003)	0-0042
Total cost and tax.....	0-1114	0-2481	0-1248	0-0965	0-0999	0-4725
Net profit.....	0-0350	0-0019	0-0122	0-0065	(0-0024)	0-0318

Operating results	Butter, pounds	Eggs, dozens	Cottage cheese, $\frac{1}{2}$ pounds	Factory skimmilk, quarts	Factory whole milk, cheese, pounds	Summary
Sales—Net.....	\$48,924 24	\$21,231 82	\$7,683 35	\$1,569 30	\$48,725 16	\$1,047,429 85
Net profit.....	2,753 07	1,771 74	1,659 09	(1,489 28)	(1,434 33)	94,881 18
Quantities.....	174,834	52,860	26,804	651,264	530,946	
Unit averages—						
Sales.....	0-2798	0-4017	0-2866	0-0024	0-0918	
Cost of product.....	0-2240	0-3165	0-1777	0-0028	0-0645	
Production expense.....				0-0019	0-0300	
Selling and delivery ex- pense.....	0-0401	0-0516	0-0471			
Income tax.....	0-0018	0-0039	0-0071	(0-0003)	0-0003	
Total cost and tax.....	0-2659	0-3720	0-2319	0-0044	0-0942	
Net profit.....	0-0139	0-0297	0-0547	(0-0020)	(0-0024)	

(10 and 11)

BORDEN'S FARM PRODUCTS CO. LIMITED
703 DOMINION SQUARE BUILDING, MONTREAL, QUE.
SURPLUS PERCENTAGE OF TOTAL RECEIPTS

1932	Into cream	Into cheese	Total
	%	%	%
January.....	9.05	13.47	22.52
February.....	17.49	1.29	18.78
March.....	11.20	10.05	21.25
April.....		19.09	19.09
May.....	9.60	15.73	25.33
June.....	0.60	42.72	43.32
July.....		41.38	41.38
August.....		27.24	27.24
September.....		29.88	29.88
October.....	2.82	22.47	25.29
November.....	6.10	2.10	8.20
December.....	13.15	9.65	22.80
Average.....	5.57	20.79	26.36

Compiled March 31, 1933.

(12)

Information included on Document Numbered 9.

(13)

BORDEN'S FARM PRODUCTS CO. LIMITED
703 DOMINION SQUARE BUILDING, MONTREAL, QUE.

March 31, 1933.

BALANCE SHEET—DECEMBER 31, 1932			
ASSETS—			
<i>Property and plant—</i>			
Real estate, machinery, delivery equipment and furniture.....		\$	738,465 54
Reserve for depreciation.....			286,511 16
Net property and plant.....			451,954 38
<i>Current assets—</i>			
Cash.....	\$	123,724 27	
Accounts receivable, less reserve.....		631,575 29	
Inventory—Products and supplies.....		8,155 02	
Route salesmen's deposits—Investment fund.....		5,929 00	
Total current assets.....			769,383 58
Prepaid insurance and taxes.....			3,232 15
Total assets.....			\$ 1,224,570 11
LIABILITIES, CAPITAL AND SURPLUS—			
<i>Current liabilities—</i>			
Accounts payable.....		56,745 93	
Accrued taxes and payroll.....		15,873 64	
Total current liabilities.....			72,619 57
Deferred liabilities.....			4,854 16
Total liabilities.....			\$ 77,473 73
CAPITAL STOCK—			
3,575 shares (\$100.00) common stock.....			\$ 357,500 00
RESERVES—			
Public liability insurance.....		20,260 44	
Fire insurance.....		20,447 64	
Taxes (prior period income accrual).....		325 62	
Total reserves.....			41,033 70
SURPLUS.....			748,562 68
Total capital, reserves and surplus.....			\$ 1,147,096 38
Total liabilities, capital and surplus.....			\$ 1,224,570 11

(14)

BORDEN'S FARM PRODUCTS CO. LIMITED

703 DOMINION SQUARE BUILDING, MONTREAL, QUE.

March 31, 1933.

RETURNS, BY MONTHS, FROM 18 CENTS HANDLING CHARGE AT
MAXVILLE AND ORMSTOWN

1932	Pounds market milk	Total
		\$ cts.
January.....	1,181,476	2,126 66
February.....	1,250,734	2,251 32
March.....	1,361,686	2,451 03
April.....	1,425,126	2,565 23
May.....	1,336,166	2,405 10
June.....	1,078,270	1,940 89
July.....	947,841	1,706 11
August.....	1,050,040	1,890 07
September.....	1,147,139	2,064 85
October.....	1,147,918	2,066 25
November.....	1,275,768	2,296 38
December.....	1,038,875	1,869 97
Total.....	14,241,069	25,633 86

(15)

BORDEN'S FARM PRODUCTS CO. LIMITED

703 DOMINION SQUARE BUILDING, MONTREAL, QUE.

March 31, 1933.

NAMES OF OFFICIALS AND SALARIES, 1932

Officers	Salaries
A. T. Johnston, President.....	
P. D. Fox, Vice President.....	
W. H. Rebman, Secretary.....	
B. H. Thoens, Assistant Treasurer.....	
E. L. Noetzel, Treasurer.....	
F. R. Elliott, Assistant Secretary.....	
T. D. Waibel, Assistant Secretary.....	
G. Bittner, Assistant Treasurer.....	
F. W. Schwarz, Assistant Treasurer.....	
E. H. Conklin, General Manager.....	\$ 8,550 00

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Government
Publications

SESSION 1933
HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

MONDAY, MARCH 27, 1933

No. 9

Reference,—Milk and Milk Products

WITNESS:

N. Charest, Vice-President and Secretary, J. J. Joubert Limited, Montreal.

Appendix B,—Documents filed by Witness.

OTTAWA
F. A. ACLAND
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1933

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

MONDAY, March 27, 1933.

The meeting came to order at 11 a.m., Mr. Senn in the Chair.

Members present: Messrs. Barber, Bertrand, Bowman, Bowen, Boyes, Brown, Carmichael, Gobeil, Hay, Loucks, McGillis, McKenzie, Moore, Motherwell, Mullins, Myers, Porteous, Senn, Shaver, Simpson, Stewart, Tummon, Weir (*Macdonald*).

Mr. Tummon for the sub-committee on witnesses reported that the officers of J. J. Joubert Limited, Montreal, had been summoned for to-day.

Report concurred in.

Mr. Napoleon Charest, vice-president and secretary of J. J. Joubert Limited, was called and sworn.

The witness read a prepared statement and was examined at length.

Witness filed certain statements which are printed as an appendix to this day's evidence and agreed to file with the clerk certain other statements.

Witness retired.

The meeting adjourned sine die.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

MARCH 27, 1933.

The Select Standing Committee on Agriculture and Colonization met at 11 a.m., Mr. Senn presiding.

The CHAIRMAN: Gentlemen, we have with us this morning the vice-president and the secretary of the J. J. Joubert Company of Montreal, who have been summoned here as witnesses at the instance of the subcommittee. We shall now call on them to give evidence.

Mr. NAPOLEON CHAREST, called and sworn.

The CHAIRMAN: May I say that Mr. Charest has told me that he would much prefer to give his evidence in French. I have persuaded him, however, that it would be of very little advantage to the committee as it is constituted this morning, seeing that there are very few of the French-speaking members here. He has kindly consented to give his evidence in English, and I would ask for the consideration of the committee on his behalf while he is giving his evidence. I am quite sure he will receive every consideration, as it is bound to be rather difficult for him.

The CHAIRMAN: What is your name and address?

The WITNESS: Napoleon Charest, Montreal.

By the Chairman:

Q. What is your position with the company?—A. Vice-president and treasurer of the J. J. Joubert, Company.

Q. I might say to you that the acoustics of this room are not too good, and I would ask you to speak as loudly and clearly as you can.—A. Mr. Chairman, you can see my embrassassing position in trying to speak English.

Mr. MOORE: You speak English all right.

The WITNESS: At the beginning I shall read this document, which I prepared in French and in English for those who do not understand French, as quickly as I can. The document I prepared myself and also translated it into English, and I shall read it in English, although I should very much prefer to express myself in my own language.

Mr. CHAIRMAN,

Standing Committee of Agriculture and Colonization,

House of Commons,

Ottawa, Ont.

DEAR SIR,—Called to testify before your committee, I thought it might be well to submit this statement in order to explain the situation more clearly.

The Dairy Industry, like a great many other industries and especially the industries deriving from agriculture, is since a few years, suffering from a crisis of overproduction. Also, the prices paid by butter and cheese factories for the milk have fallen very low, and a great number of farmers and cattle breeders have looked forward to dispose of the milk

from their herds in the cities which offered immediate consumption in order to receive higher prices for it. This had the effect of increasing the quantity of milk offered on sale in the cities to such an extent that the competition among the various producers has completely disrupted the marketing conditions.

The firm J. J. Joubert Limitée, whom I represent, always buy its milk exclusively from producers who subject themselves to the control of the Board of Health of the City of Montreal. All our shippers must comply with the regulations of the Board of Health, otherwise we refuse their milk. And, in order to make sure that every shipper complies with these rules, that every operation pertaining to the production and handling of milk is carried on in accordance with the standard of hygiene, we have in our employ a sanitary inspector who calls on each of our shippers, to inspect their herds, see that the stables are well kept and that the utensils used are clean. We want to make sure that the herds supplying the milk to us are always in a No. 1 condition, and that the handling of the milk is made in a sanitary way. No milk is bought until the producer has been approved by the Milk Inspection Bureau of the City of Montreal.

To this we add that our pasteurizing equipment is of the most modern type and that this operation is scientifically controlled by competent chemists who have at their disposal a laboratory especially fitted up for this supervision, that we spare no effort or no expense to ensure to our customers milk products of the highest quality and presenting the highest degree of safety.

The practice so far as the buying of milk from producers is concerned is to always set in advance for a particular period, the prices which will be paid during that period. These prices are set in agreement with the Milk Producers' Association of Montreal, taking into account the variations which may arise in the cost of production. We observe the prices agreed upon for each period of the year, even if we have to suffer losses which at times are quite heavy.

In order to encourage the multiplication of good herds and the production of as rich a milk as possible, our milk purchases are made on the basis of the butter fat content of the milk delivered to us by each producer. In other words, our prices are based on milk containing 3.5 per cent butter fat. This means that all the shipments of milk we receive are tested. When the butter fat content is higher than 3.5 per cent basis, we pay a premium to our shippers of 3 cents per 100 pounds of milk for each fraction of $\frac{1}{10}$ of 1 per cent over the basis. If a producer ships milk of 3.8 per cent butter fat, we pay him a premium of 9 cents per 100 pounds over the price agreed upon. On the other hand, when the milk is of a lower butter fat content than the 3.5 per cent basis, we deduct from the price agreed upon, 3 cents per 100 pounds of milk for each fraction of $\frac{1}{10}$ of 1 per cent, which tends to discourage heedlessness, thus to better the dairy industry.

This practice has brought about very good results and has greatly contributed to the improvement of the quality of milk produced in our province. The average price we pay to farmers is higher than the price set. Here are some recent examples:—

From January 1 to April 15, 1932, when the price agreed upon was \$1.70 per 100 pounds, the average price paid was \$1.7479.

From April 16 to November 30, 1932, the agreed price was \$1.35 per 100 pounds but we have paid an average price of \$1.3905.

In December of the same year, the agreed price was \$1.60 per 100 pounds, and we have paid an average price of \$1.6841.

The above examples show the price paid as a result of the premium upon butter fat. However, when the effect of surplus milk upon price is considered, the average price actually received by the farmer is considerably less. Based upon the price paid as a result of the surplus, the farmer received:—

From January 1 to April 15, 1932, \$1.653.

From April 16 to November 30, 1932, \$1.226.

In December, 1932, \$1.682.

Of course, these are the average prices, and if it still happens that we receive milk of a lower percentage of butter fat than the average fixed proportion, we receive some that is notably superior, and in the whole, we note that there is a general improvement in the quality of the milk delivered to us.

When a farmer receives his cheque from our firm, it is always accompanied by a detailed statement of the milk or cream he has shipped to us.

MILK SURPLUS

Having to meet daily requirements, we can not set up in advance and in a sure way, the quantity of milk required to meet the demand. As, on the other hand many producers are established in a region where there are no butter or cheese factories and would lose the milk that they would over produce if we limited the quantity of their shipments, there is an understanding by which we buy at the cheese or butter factory prices, the surplus milk we have on hand after the distribution. In other words, whatever milk is left over it is computed and deducted proportionately from the shipments that are made to us.

About a year ago, the consumption having greatly reduced on account of the economic crisis, we decided to lay off a certain number of our shippers for an indefinite period. But, if certain shippers have found elsewhere a market for their milk, there are others who were in a very embarrassing position, and saw themselves almost ruined. Many of them came in to see us and told us that they were in a critical position. We consulted a certain number of our good shippers, and told them in what position some other shippers were in. The shippers who were consulted, desiring to protect their own, agreed that we should continue to receive the milk from the farmers who had been placed in such a critical position. These shippers thereby gave a fine example of their spirit of co-operation, for in protecting other shippers, whom they did not even know, they have no less agreed to suffer a loss from the fact that our milk surplus, not sold for immediate consumption, became greater and through this, a greater proportion of their shipments was paid to them at price agreed by the butter and cheese factories.

It is to help those farmers who absolutely depend on the sale of their milk for their living that we accept more milk than is required to meet the demand of our consumers, and the result of this is a rather heavy surplus, surplus for which we can only pay for at the price paid by butter makers, as we use this milk ourselves to make the same product. This practice has thus for effect to save from bankruptcy, and even ruin, a certain number of farmers.

The buttermilk which we sell is not the original buttermilk that comes from the churning of butter, but milk that is scientifically fermented and produced by the use of a lactic ferment. It then results that the sale of milk is increased of that much more for the producers.

In concluding, I wish to emphasize that we maintain a system of controlling conditions under which milk is produced and handled, in order to ensure to our customers, its nutritive value and sanitary quality.

"Careful inspection of the source of supply, the production and the handling of the milk on the farm; constant supervision and sanitary control by expert chemists, of the quality of the milk we receive and distribute; efficient and expensive equipments to control the pasteurization scientifically; and a sanitary delivery service."

We buy our milk on the butter fat basis, that is we take into account the quantity of butter fat contained in the milk we receive, and pay for it accordingly. This is an important factor in the buying of the milk, for it assures a better price to the good producers for its intrinsic quality, and tends to higher the grade of the milk delivered to the consumers and particularly the children to whom milk is the essential food.

Now gentlemen, I have said in this statement that our milk is pasteurized. All our milk is pasteurized except certified milk. I have here, Mr. Chairman, two by-laws, one from the province of Quebec, and one from the Federal Department of Agriculture, concerning pasteurization. I am just going to read the last paragraph which concerns pasteurization. It is written in French and I will read it in French and then translate it into English. "Il est interdit de nourrir les animaux dans une zone réservée avec les sous-produits des fromageries, des stations d'écémage et des beurrieres, à moins que lesdits sous-produits n'aient été d'abord stérilisés par la chaleur." The English translation is as follows: It is forbidden to feed animals in a reserve zone with sub-products of cheese factories, skimming stations and butter factories unless those sub-products have been sterilized with heat."

So if it is good for the animals, if pasteurization is good for the animals it should be good for the people. I have here a similar by-law of the province of Quebec. Unfortunately I have not a copy of the by-law of the province of Ontario; but I am told in Ontario they have a by-law on this subject also. The by-law of the province of Quebec says: "Le propriétaire ou le gérant de toute fabrique de beurre ou de fromage, ou des deux, est obligé de pasteuriser le lait écrémé et le petit-lait de beurre et de fromage provenant du lait ou de la crème apportés et travaillés dans sa fabrique."

The English translation is as follows: "The owner or the proprietor or the manager of any or all factories, either cheese or butter or combined, is obliged to pasteurize skimmed milk or the buttermilk from the churn or buttermilk from the cheese, after being made to give it to animals. That is all I have, although I have other figures.

By the Chairman:

Q. That is your full statement?—A. That is all I have prepared, but I brought figures.

Q. You have figures concerning your operations, have you?—A. I have sir.

Q. Do you care to give them in advance or will you give them under cross-examination?—A. I can give them right away.

Q. Very good; is that your financial statement?—A. Yes. Gross sales in the past year, 1932, were \$2,997,764.87.

Q. Would you repeat that?—A. \$2,997,764.87. The total taken from sales, all discounts and allowances \$43,076.69.

By Mr. Pickel:

Q. What is that?—A. \$43,076.69, provision for bad debts, discounts and allowances. Net sales \$2,954,680.18. Milk and milk products \$1,052,966.30; purchases of butter and so forth \$388,622; total cost of products \$1,441,588.32; production expenses, selling expenses which comprises salaries and wages, commission, expenses material, depreciation, insurance, taxes, other property ex-

penses, reserve for bad debts, publicity and administrative expenses, \$905,720.77; the gross profit, \$155,734.27.

The CHAIRMAN: The gross profit again, please?

The WITNESS: \$155,734.27. Will I continue the same document?

The CHAIRMAN: Well, shall we finish the rest that he has to give us in figures, or is the committee getting much advantage from these figures? I think it would be wiser perhaps to have these matters brought out under cross questioning, so that you can consider each phase as you go along.

(Carried.)

By Mr. Tummon:

Q. What is your name again?—A. My name or the name of the company?

Q. Your name?—A. My name is Charest.

Q. Your company is an independent company, is it; that is, is it just a company by itself or is it a subsidiary of another company?—A. Well, it is a subsidiary company, but it is incorporated under the by-laws of the province of Quebec.

Q. But the company is owned by whom?—A. Well, it is a subsidiary of the Borden Company.

Q. Of the Borden Company?—A. Yes.

Q. But run and operated, however, as a distinct unit?—A. A distinct company, yes.

Q. Yes, a distinct unit. Have you there the total number of pounds of fluid milk?—A. We have sir.

Q. That was purchased in the year 1932?—A. Yes, we have; 37,897,396 pounds.

Q. 37,897,396 pounds?—A. Yes.

Q. Now, that includes all milk purchased at association prices?—A. No, all milk; all milk received, association and surplus milk, all milk.

Q. Association and surplus?—A. Yes.

Q. Did you purchase any cream in addition to that?—A. We do, we did.

Q. But the cream is not included in those pounds of milk?—A. No—well, there was some cream, some cream taken from the surplus, but a small quantity. We buy cream from individual shippers, and we also have a factory of our own.

Q. What I was trying to get at was, that was the amount purchased as fluid milk, but did not include anything purchased as cream, and I understand that is milk purchased at the association price and the surplus milk?—A. No, all milk bought is all computed altogether. All the milk received.

Q. Can you give us the average cost per hundred pounds of that fluid milk for the year 1932?—A. The average cost for all milk?

Q. For that amount of milk, both association and surplus?—A. All milk, \$1.39·3.

Q. \$1.39·3?—A. Yes.

Q. That price of \$1.39·3 was the price that it cost your company delivered at your door or at your plant, was it?—A. That is the amount—that is the price that we pay to the producer.

Q. Yes, the price you pay to the producers?—A. To the producers.

Q. The average price that you paid to the producers?—A. Yes.

Q. For the milk delivered at your plant?—A. Yes.

Q. And then the farmer or the producer paid the freight or the transportation costs on that?—A. He did, sir.

Q. Which would average about probably 25 cents a hundred pounds?—A. Sometimes, I would not say the average price, because some live closer—

milk that is shipped within a radius of forty miles costs the farmer 15 cents per can, which is 20 cents a hundred; and over forty miles it costs him 25 cents a hundred, or 20 cents a can.

Q. Now, what percentage of that total amount of milk, 37,897,396 pounds, was paid for at association prices?—A. 82·7.

Q. 82·7; the balance was paid for at the surplus price?—A. Yes, 17·3.

Q. 17·3; can you give the committee the average cost per quart of the milk; you say \$1.39·3 per hundred pounds; have you the figures there bringing it down to quarts, the average?—A. Yes, ·0387.

Q. Point what?—A. ·0387.

Q. That is approximately 3·87 cents per quart, a little better than 3½ cents per quart?

The CHAIRMAN: 3⅞.

By Mr. Tummon:

Q. I presume that milk that was purchased at association prices was largely disposed of by the quart as fluid milk?—A. Not all; it was disposed of in quarts and disposed of in cans, to different institutions or restaurants, hotels, or hospitals. I think I can tell you what you want to know, what is in your mind. There was 68 per cent of the milk sold retail to the houses.

Q. 68 per cent sold retail to the houses; yet what was delivered to the hospitals or restaurants or such like was all delivered by measure, nevertheless, was it not?—A. Will you repeat that, please?

Q. Well, really what I asked—I said by quart—but I really meant by measure, it was delivered really by quart or by gallon or such like?—A. Well—

Q. You don't sell your milk by the hundred pounds to customers?—A. No; to private homes it is pints or quarts.

Q. Pints or quarts, and to the hotels it is by the gallon?—A. To the stores it is sold in half pints or pints or by the measure, bulk, that is all.

Q. It is all measured?—A. Yes.

Q. Can you give the committee the average selling price per quart for the year 1932? You told us the average cost price was ·0387. Now, the average selling price per quart?—A. It was ·0968.

Q. ·0968?—A. ·0968.

Q. That would be 9·68 cents per quart?—A. Yes.

Q. Now, that means a spread of approximately in the neighbourhood of 6 cents per quart, does it not?—A. ·0581, to be exact.

Q. ·0581?—A. ·0581.

Q. That is a little better than 5½ cents per quart. Have you the figures there by which you account for that spread, Mr. Charest?—A. You want these in detail?

Q. Yes, we would like to have it in fairly good detail. Supposing we start of the beginning again. We have the price per hundred pounds. We have the price that it cost you per quart, and that would be of course, less transportation to the producer. Now, I presume that milk is shipped directly from the producer to the Montreal plant, Mr. Charest?—A. Yes, it is.

Q. You have no depots or receiving stations?—A. Receiving stations? If you mean—no, it just comes in to our dairy; but we get the milk at the Windsor station or the Viger station, the different stations.

Q. What I mean is this, do you maintain receiving depots out through the country?—A. No, we don't.

Q. You don't; did you purchase any milk or cream or such like from the receiving stations of your sister plant, the Borden Farm Products?—A. Very seldom.

Q. Very seldom?—A. Yes.

Q. Did you in the year 1932?—A. We have; I could not recollect from memory, but we do sometimes when the milk—in a short season. By short season I expect that you know what I mean.

Q. Yes, when there is a shortage?—A. A shortage of milk, when we receive less milk from our individual shippers.

Q. When you purchase that from the firm of Borden Farm Products Company, how do you pay for it? Do you pay them a profit on what they get, or give them something extra, or less price, or what? Or do you just simply take it off the hands of the other company at the price they purchased it at?—A. Practically, it is so much gallon, very, very close. We give them 10 cents a hundred pounds more.

Q. 10 cents per hundred pounds more?—A. Yes.

Q. What is the first item of cost which enters into the spread?—A. That is the number of quarts sold, that would be 11,158,372 quarts.

Q. Quarts that were sold?—A. Yes.

Q. That were distributed off your wagons?—A. It was all sold different ways.

Q. Sometimes sold off the wagons and sometimes sold to restaurants and hotels?—A. Yes.

Q. All right; what we are trying to get at is how you make up or how you account for that spread of 5·81?—A. Well, it is the total value or difference.

Q. Just a minute—A. The value per quart as I gave before is ·387, and we have it at ·0968, so that the difference is the spread.

Q. 5·81?—A. Yes.

Q. Now, there are certain costs that enter in to make that spread, transportation, factory costs and such like; have you other items there, bottling and such like?—A. We can't give it to you in quarts. I have not got it. We have just given you the total of expenses.

Q. The total expenses?—A. Yes.

Q. Then you have not any statement there at all, that would give the Committee an idea how costs are made up? At least, how that spread is made up?—A. The sales is ·0968, and the cost of the product is ·0387. The production, selling and delivery expenses is ·0555, and the net profit is ·0023.

Q. The profit is which?—A. I beg your pardon, sir? ·0023, and the income tax ·0003.

Q. Now, if you have not the itemized costs, we cannot have them this morning. That is per quart, I presume, that profit?—A. That is per quart.

Q. 0·23 per quart?—A. Yes.

Q. Or rather, ·0023 per quart. That refers only to the amount produced and paid for at the association prices?—A. That is all the milk sold.

Q. All the milk sold?—A. Yes.

Q. But that milk that was sold by the quart or by the gallon or by the measure, all came from that, that was paid for at the association price, was it?—A. All at the agreed price with the producer.

Q. With the producer?—A. Yes.

Q. Or the market price or the association price whichever you wish.—A. Well, the association price, yes.

Q. Did any of the surplus milk or any of the milk paid for at surplus prices go into that?—A. There was not. I am impressing this, no milk of surplus which was not paid to the farmer at prices above the surplus price.

Q. Will you repeat that, please?—A. That is—

Q. We recognize your difficulty. Now, just take the thing easy and we will get along.—A. Tout le lait qui a été vendu a été payé au prix de la vente, c'est-à-dire que la différence entre le lait vendu et le lait acheté est du surplus et ce surplus la a été payé au prix du beurre et tout l'autre lait a été payé tel qu'il avait été entendu avec les cultivateurs.

Mr. GOBEIL: I don't really know what you are trying to get at.

By Mr. Tummon:

Q. I want to find out if any of the milk that was sold at the regular price per quart and delivered per quart or per gallon as the case may be, was all milk that was bought at the association price or was it bought—some of it bought at the surplus price?—A. I might express myself better, I don't know who you are—

Q. No.—A. You might be one of our customers, if you live in Montreal.

Q. No.—A. Supposing that you would be—yes, you would be, and we would serve you, I would say that there was not any milk, any surplus milk that we would have sold you.

Q. I see.—A. Under ten cents or nine cents or eight cents per quart.

Q. That is what we wanted to get at. Your surplus milk was used in some other way?—A. Yes, as I said.

Q. That is what I wanted to get at. Now we understand each other. You said that your surplus was 17 point something, was it not—17·3?—A. 17·03.

Q. Will you tell the committee how you disposed of that surplus milk?—A. We made butter with it.

Q. You made butter with it?—A. Yes.

By Mr. Gobeil:

Q. All of it?—A. I would not say all; I have no figure; I would say there is very little that went into the—that we made sweet cream out of.

By Mr. Tummon:

Q. Can you tell the committee the average price per hundred pounds that you paid the producer for that surplus milk?—A. I have not got it.

Q. Well, you paid different prices throughout the year 1932, I presume?—A. Yes; all this surplus milk, I might answer you in some way, being paid at the price of butter; we follow the market price of butter, and we gave the farmer whatever the market price was for all surplus.

Q. Whatever the butter price was?—A. Yes.

Q. That is if milk was 3·5, you paid him the butter price, butter fat prices which would go into butter, being 3·5 pounds in one hundred pounds of milk.—A. Should we give you an example? Say 3·5 pounds of butter fat would be twenty-five cents, 25 cents per pound butter fat; what would you say?

Q. Well, what I meant to say when butter fat was paid 25 cents a pound, for cream that was being used for butter would you pay 25 cents?—A. It would be 88 cents per hundred pounds of milk.

Q. You would pay that?—A. 88 cents for one hundred pounds of milk.

Q. But you cannot give us the average price per one hundred pounds that you paid for your surplus milk?—A. No.

Q. Can you furnish the committee with that information, later on?—A. We could hardly do that. I don't say we could not; perhaps we could, but it would mean a lot of work and I don't know if we would give you an exact result.

Q. Well, it seems to me it would be rather necessary that we have that, if we could get it.—A. Well, if we can.

Q. I don't want to insist on it.—A. No; I will say this, if it can be given, I will give it. We have nothing to hide.

Q. I don't see why you cannot give it. You know what you paid for it; you know the number of pounds you bought.—A. Yes.

Q. Now, the average of the hundred pounds divided into what you paid for it will give you the average per hundred pounds.—A. We pay the farmer

twice a month, and it may be twice a month the price was different, and we would have to go through a whole year; that would be twenty-four accounts that we would have to compute.

Q. Well, I know; but you gave us the price per hundred pounds, the average price per hundred pounds that you paid for 86 per cent; surely you ought to be able to furnish the committee with the average price per hundred pounds for 17 point something per cent.—A. If we can get it, I will give it to you.

Q. All right; we will say that.—A. I will say I will give it to the committee.

Q. Now then, was all this surplus milk used for butter manufacture, Mr. Charest?—A. I said a few minutes ago that there was some for cream.

Q. Sweet cream?—A. Cream, but very little.

Q. Very little for sweet cream; do you purchase sweet cream from the farmers?—A. We do, yes.

Q. Have you the quantity, the number of points of sweet cream and the pounds of butter fat that you purchased in 1932?—A. We can give you the quantity of sweet cream that we have bought to be sold as sweet cream.

Q. You haven't that with you?—A. Yes, we have it. We can give you the number of pounds of butterfat.

Q. And the 100 pounds?—A. No, no, I say we have the number of pounds of sweet cream bought to be sold as sweet cream.

Q. All right.—A. There is 452,806 pounds of butterfat.

Q. Of sweet cream, purchased as sweet cream?—A. Yes, sir.

Q. That practically covers the sweet cream that was delivered; that is, a little perhaps from the surplus amount added to that, constituted your sweet cream business?—A. These are the number of pounds of butterfat as sweet cream, sold as sweet cream.

Q. That was pounds of butterfat?—A. Yes.

Q. You have not the number of pounds now, the weight?—A. No.

Q. Will you furnish the committee with that?—A. Do you mean the number of pounds of sweet cream bought to be sold as sweet cream?

Q. When you purchased that sweet cream—say I was shipping you a can of that cream, you would weigh that can when it came in?—A. Yes.

Q. And you would test it for the butterfat content?—A. Yes.

Q. And would buy it according to weight and butterfat content?—A. Yes, sir.

Q. I want the amount of both. I am trying to get at the pounds of cream and the amount of butterfat?—A. We haven't got it, sir.

Q. Will you furnish it to the committee?—A. We can get it, and we will give it to you.

Q. Thank you sir. Now then, can you give the committee the average price per pound of butterfat that that sweet cream cost you in 1932?—A. The average price we paid was 24.52 cents.

Q. That was per pound of butterfat for the year 1932?

The CHAIRMAN: That is sweet cream.

The WITNESS: Yes, sir.

By Mr. Tummon:

Q. That is sweet cream. Now then, in selling that sweet cream, how many grades of sweet cream do you sell?—A. Ten per cent, 15 per cent, 20 per cent, 25 per cent, 30 per cent, 35 per cent, 40 per cent; and there is sweet and sour—anything you want.

Q. Well, we are talking about sweet cream?—A. Well then, if you want 32 per cent sweet cream and if you are a big enough consumer, we will make it for you.

Q. Well then, can you furnish the committee with the average selling price in 1932 of these different creams?—A. The average price was .1287.

Q. That is, per quart?—A. No, per half-pint, sir.

By the Chairman:

Q. Of all grades?—A. All grades, yes, sir.

Q. Can't you give it for each?—A. I can't give it.

By Mr. Tummon:

Q. Well, if the committee wants it for each, we can get it, I am quite satisfied as far as I am concerned with the average selling price on all.

The CHAIRMAN: Very well, go ahead.

Mr. TUMMON: That is all I am interested in.

By Mr. Pickel:

Q. What do you get for your 10, 15, 20 and 40 per cent cream, how do you sell it?—A. Well, that is the average here.

Q. That is by the pint?—A. I don't know a pint, I haven't got it—that is the half-pint.

Q. That is for the half-pint?—A. The average is 12·87.

Q. That is the average?—A. Yes, sir.

Q. What do you sell your 10 per cent at?—A. I haven't got those figures with me.

Q. Well, don't you know your business?—A. That is the 1932 price, sir.

By Mr. Tummon:

Q. Yes, that is right, I am dealing with 1932. I want to get that on the record. That is the reason I was dealing with that?—A. Yes, sir.

Q. You said, your average selling price for 1932, for all grades per half-pint was—?—A. 12·87.

Q. That would mean, that per quart it would run about 49·4 cents, around that? Now then, outside of the milk delivered as sweet milk and sweet cream that you purchased there was butter. I presume butter was sold off your wagons wasn't it?—A. Yes, sir.

Q. Is there anything else that you manufacture, or utilize, milk or cream for, and dispose of, in your plant?—A. We sell eggs, and we sell cheese also.

Q. Ice cream?—A. Well, on different waggon.

Q. On different waggons?—A. Yes, sir.

Q. The cost of your eggs is in your financial statement, I presume?—A. I haven't got it here.

Q. Is it separated from the milk, or the cream, in your financial statement?—A. It is separated, yes.

Q. It is shown as separate purchases?—A. Yes, sir.

Q. Shown as a separate receipt?—A. Yes, sir.

Q. And the profit is shown separately?—A. If there was.

Q. Well, if there was, yes; we will admit that?—A. Yes.

Q. It is shown separately?—A. Unfortunately, it is not.

Q. Then, any profit that there would be, would be all confined to milk?—A.

Yes, sir.

Q. Now, you filed that financial statement there with the chairman, did you?

The CHAIRMAN: It should be printed in the minutes.

By Mr. Tummon:

Q. That is right. Will you file that with the secretary and it will be printed with the minutes?—A. Yes, Mr. Chairman, we will.

Q. That was for the year 1932?—A. Yes, sir.

Q. The calendar year is your business year?—A. Yes, sir.

Q. You have nothing to do with the paying of dividends or such like?—A. No, sir.

Q. That is all handled by the parent company?—A. If there are any dividends, yes.

Q. But, that is a matter—A. The J. J. Joubert Company has not paid any dividends.

Q. No, but if they did they would not anyway, would they?—A. I beg your pardon?

Q. Supposing there were profits out of which to pay dividends, they would not pay the dividends, would they?—A. I don't think so.

Q. The question of dividends is a matter for the parent company, isn't it, and not for J. J. Joubert?—A. That is right.

Q. Then, if there is any profit, profit sufficient to warrant a dividend, the J. J. Joubert Company forwards that to the main company?—A. We supply our statements, and that is all we do.

Q. And you have nothing to do with that?—A. No, sir.

Q. Do the Borden company, the main parent company, keep a head office in the Dominion of Canada?—A. Yes, I know that they have an office, they have a meeting place—I don't know if they have an office.

Q. All your reports as a subsidiary which you make to the parent company; where do they go?—A. They go to Ottawa, here.

Q. Go to Ottawa?—A. Yes, sir, we send our reports to Ottawa.

Q. You send your reports all to Ottawa?—A. Yes.

By the Chairman:

Q. To whom?—A. To a gentleman called—

Q. What company do you send it to?—A. To the Ottawa Dairy Company.

By Mr. Tummon:

Q. To the Ottawa Dairy Company?—A. They are sent to a Mr. Thorne.

Q. To a Mr. Thorne, in care of the Ottawa Dairy Company?—A. Yes, sir.

Q. Is the Ottawa Dairy Company in Ottawa, a subsidiary of Borden's, do you know?—A. I would not be able to answer that. I would believe they are a company like ourselves. I would not say for sure, I do not know exactly how they stand.

Q. You make no reports direct to the parent company in New York?—A. The figures are sent to Ottawa.

Q. And any communication, or instructions, to your company as a subsidiary company come from Ottawa?—A. Yes. You mean all?

Q. Yes?—A. No, not all; some come from New York also.

Q. Some come from New York?—A. Yes, sir.

Q. The statement that you have furnished is an audited statement, is it Mr. Charest?—A. Yes, it is.

Q. For the year 1932?—A. Yes, sir.

By Mr. Brown:

Q. You have said that you are a subsidiary of the Borden company?—A. Yes, sir.

Q. How many subsidiaries of the Borden company are operating in Montreal?—A. Well, there are two, from what I know.

Q. You know of two anyway. We had one here before us a few days ago, and they told us that they were in close connection with the receiving depots at Maxville and Ormstown?—A. Yes, sir.

Q. Do I understand, from your statement to Mr. Tummon, that you have no such direct connection?—A. Would you mind repeating your question please, sir?

Q. Well, the company that testified here a few days ago, said that they had a direct connection with the receiving depots at Ormstown and Maxville. Do you have direct connection with these depots?—A. No, we have not, sir.

Q. I think you said though that when you require more milk you buy it from the Borden company at an increased price of 10 cents a hundred?—A. Well, we buy milk, not only from Bordens, but from anybody who has extra milk and wants to sell it.

Q. Do your delivery routes cover the same districts as those of the other company?—A. They cover the city.

Q. Do your delivery routes cover the same streets as those of this other subsidiary Borden company?—A. They do, yes.

Q. That is, you have two delivery waggons of subsidiaries of the Borden company travelling the same milk routes?—A. All milk companies do.

Q. Of course. That is a matter of interest to us that we will have to look into, why two subsidiaries of the same company should be serving the same milk routes. I think, perhaps, that is all I want to ask. In the meantime, you have promised to furnish a fuller financial statement in regard to the various items that enter into the spread?—A. Whatever was asked.

Q. I think that is all I want to bring out in the mean time.

By Mr. Porteous:

Q. You said, in your statement, that you at one time decided to lay off a lot of your patrons?—A. Yes, sir.

Q. That was, because of the fact that you were getting too much milk?—A. Yes.

Q. I took from that that you preferred to be without the business, with regard to surplus milk?—A. Certainly, because we did not require that milk; it was not wanted.

Q. Well, from your statement then would you say this, that if you could get your requirements that you would rather not have any surplus milk whatsoever?—A. In the milk business you can not buy exactly your requirements.

Q. No, but if it were possible for you to get your requirements?—A. Sometimes you are short, sometimes you have too much. You can't run a milk business and have exactly what you want.

Q. Do you pretend to make a profit out of this surplus milk?—A. No sir, we do not, and it is well understood; those were the orders that were given—that all surplus milk was treated to be made into butter.

Q. Now then, have you the price per quart, or per hundred pounds perhaps would be easier, that you paid for milk for consumption purposes by itself—not the average price of all your milk, but the price that you paid, that is the Association price, per hundred pounds?—A. \$1.5030.

Q. How many quarts of milk do you bottle out of a hundred pounds, have you that?—A. I haven't got that.

Q. One of the witnesses that were here said they got 38.6 quarts; would that be about what it would amount to per hundred pounds?—A. I haven't it here.

Q. Now then, do you do a wholesale business also?—A. Both sir, wholesale and retail.

Q. Then, about the price at which you sell milk per quart in bottles for wholesale purposes; do you sell to any of these dealers?—A. We do, yes sir. We sell to wholesale. Last year we sold wholesale less than the retail. Say the retail was .1038, then the wholesale was 2 cents less.

Q. Two cents less than the retail?—A. Yes.

Q. That is to licensed dealers in Montreal?—A. Oh, we don't sell those.

Q. You don't sell to those at all?—A. No, sir.

Q. What is that wholesale trade for, restaurants and so on?—A. That 2 cents less is to grocery stores.

Q. Chain stores, and so forth?—A. Yes.

Q. Well that would be—you would not have the average price of your wholesale milk for the last year, would you?—A. We sell 2 cents a quart less.

Q. It would be just 2 cents a quart less. Then the average price for retail was, say, 10 cents?—A. It would be 8·38.

Q. Now then, it would appear that the spread is greater from the time that that milk is in the bottle ready for wholesale and the time when it reaches the door step of the consumer by 2 cents a quart?—A. No, the spread on all milk is .0581; for all milk.

Q. Yes, and on wholesale milk it is 2 cents less?—A. Yes.

Q. Therefore that 2 cents per quart spread is in delivery charges; is that right?—A. Is not spread.

Q. There are no other charges, is that right?—A. Two cents less, straight.

Q. Two cents less spread on wholesale milk?—A. Two cents less per quart.

Q. Yes. Well then, that would make it that you make as much profit on your wholesale milk as you do on your retail milk?—A. Oh my, no sir.

Q. You make more profit on your retail milk?—A. Yes, sir.

Q. That is all I want. Now then, the total profit you gave us was .0023, is that per quart?—A. No, that is profit.

Q. Profit. Is that per quart?—A. Yes, per quart.

Q. That would be a little less than a quarter of a cent per quart?—A. Yes, sir.

By Mr. Mullins:

Q. May I ask you, Mr. Charest, what your capitalization is?—A. It would be \$765,100.

Q. Who is the president of the company?—A. Mr. J. J. Joubert is the president, I am vice-president and Mr. Martin is secretary.

Q. Is Mr. Joubert the founder of the corporation?—A. He is the head, the president.

Q. Since the company was founded has the capital been raised?—A. I have it here, the first company was incorporated by letters patent of the Province of Quebec on the 4th of December, 1914. The charter of the company was amended on the 18th of January, 1921, and again December 30, 1925, and December 3, 1930. These amendments consisted in changing the powers of the company, excepting that the amendment in 1921 increased the capital from \$299,000 to \$500,000.

Q. Did you issue more stock each time?—A. No, sir.

Q. Each time you changed the personnel or organization?—A. No, it was capital that was wanted for the business.

Q. How many shares of stock have you out?—A. 7,651 shares.

Q. And how many do the Borden people hold?—A. I haven't got that here.

Q. Do they hold 51 per cent of the stock, do you know?—A. They do, yes sir.

Q. More than that?—A. More than that, yes sir.

Q. More than 51 per cent of the stock?—A. Yes.

Q. Then, their head office would be in New York?—A. Yes.

Q. What do you do with the profits that you get from this organization; you have some profits don't you?—A. We keep them here because it is in the surplus.

Q. What?—A. It is put in the surplus account.

Q. But don't you transfer the profits?—A. No, it is left in the company.

Q. You didn't transfer any?—A. Not that I know of, there has not been any transfer.

Q. You just put it back into the company?—A. It is in the surplus.

Q. What is the surplus, did you say?—A. I could give it to you here, \$755,163.44.

Q. That is your surplus. Let me ask you a question, do you pasteurize milk?—A. We pasteurize all our milk, except what I said, the certified milk.

Q. Which do you consider the better for the consuming public, the pasteurized milk or the certified milk?—A. We would not sell, except certified milk, we would not sell any milk that is not pasteurized.

Q. The certified milk comes from a healthy cow, that is, it is tested?—A. Supposed to be healthy, sir.

Q. It comes from a healthy cow?—A. I would not say healthy, I would say supposed to be healthy.

Q. Well, it comes from a dairy that has been tested and inspected?—A. And the cows are supposed to be healthy, but I would not say that they are all healthy cows, sir.

Q. Well, it is certified milk?—A. It is certified milk, sir.

Q. Well, as an expert in that line of business, you have been in it for some time—which milk do you prefer, the pasteurized or the certified?—A. I would not drink for myself—

Q. No, outside of business?—A. I am speaking for myself, I would drink pasteurized milk. If you don't mind, I don't know if you were here when I began, but I have copies of two by-laws here, one from the province of Quebec and one from the Federal Department of Agriculture. They say that milk to be given to animals, pigs and calves, has to be pasteurized; so, if it is good for the pigs and the calves, it must be good for people to use pasteurized milk.

Q. One of the leading physicians in Montreal says that pasteurized milk develops bacteria faster than ordinary milk. I have a letter here from one of the leading medical authorities in Montreal and I might as well read what he says. He says in part: "The truth of the matter is that pasteurization properly conducted does not affect either the taste or the vitamins to any appreciable extent. Furthermore bacteria develops with greater ease in pasteurized milk." That is from one of the leading medical men in Montreal?—A. Well, that may be one—

Q. And he says that bacteria develops with greater ease in pasteurized milk than it does in ordinary milk?—A. Well, that may be the idea of one man, but I would say that these by-laws were passed, sir, they have been discussed by more than one man; and they came to this conclusion, because they made a law out of it.

Mr. MOORE: Is that man of yours agriculturally trained?

Mr. MULLINS: No, he is one of the outstanding medical men in Montreal. I am speaking from practical experience, doctor, I know men that have used one cow's milk that have lived to a ripe old age.

Mr. MOORE: I know them too, they have used one cow's milk and lived to a ripe old age.

By Mr. Mullins:

Q. Do you make buttermilk?—A. We do, sir; well, we make and sell fermented milk.

Q. Fomented milk?—A. Fermented.

Q. Well, it is not buttermilk?—A. Cultured buttermilk.

Q. Do you use a cube for that purpose, a medical preparation?—A. It is, I would not say medical—we have a chemist.

By Mr. Moore:

Q. He probably means lactic acid?—A. Lactic acid, yes.

By Mr. Mullins:

Q. What do you get a quart for that?—A. Ten cents a quart.

Q. It is manufactured from the surplus milk?—A. No.

Q. Or from skim milk?—A. No, it is from milk that would contain about 2 per cent butterfat.

By Mr. Donnelly:

Q. Mr. Chairman, I would like to ask the witness if they sell milk to independent distributors?—A. We do not.

Q. You sell them no milk?—A. We absolutely refuse.

Q. In some of the chain stores, you supply them at 2 cents a quart less?—A. Yes, sir.

Q. You don't make as much profit on that, you say, as you do on the milk distributed direct to your customers?—A. No, sir, we do not.

Q. Therefore, it costs you less than 2 cents to distribute to private individuals?—A. I would not say it cost us less than 2 cents.

Q. It must cost you less if you sell it to individuals and make more profit on it by distributing it, it must cost you less when you distribute it to each concern?—A. We sell it at 2 cents less.

Q. You sell it to chain stores at 2 cents less?—A. Yes.

Q. Than you sell to a private individual?—A. Yes.

Q. And you don't make less profit on that than you do on what you sell to private individuals?—A. I would not be able to answer that.

Q. Well, you said so. You said you didn't make as much profit selling the chain stores at 2 cents less?—A. On the wholesale milk we do not.

Q. Well then, it must cost you less than 2 cents to distribute to private individuals?—A. I would not say so.

Q. Well, if it costs you less than 2 cents to deliver to chain stores at 2 cents less you must be making more money on this milk sold at 2 cents less than you do on the other milk sold to individuals, according to your own argument?—A. If we sell it to them at 2 cents less per quart it is—we could not make a profit.

Q. Are there companies in Montreal selling to independent distributors?—A. There are, sir.

Q. What do they sell at, a quart?—A. I do not know, sir.

Q. Are there any companies in Montreal pasteurizing milk for farmers and allowing them to distribute?—A. What is that, sir?

Q. Are there any companies pasteurizing milk for farmers and allowing them to distribute it?—A. Not that I know of.

Q. I mean farmers who bring in their own milk, get a licence, take it to a pasteurizing plant and distribute it themselves?—A. I do not know about that, sir.

Q. What does it cost to pasteurize milk?—A. I haven't got that separate.

Q. But you have got it?—A. Pasteurizing goes into some other costs, you know.

By Mr. Pickel:

Q. You have your own inspectors?—A. We have inspectors in the country to inspect the farms, yes.

Q. Why is that necessary?—A. In order to take more care to have a better supply of milk.

Q. If your inspector goes out and the inspectors of the city of Montreal refuse him, what are you going to do?—A. We are governed by the by-laws of the city of Montreal.

Q. The city of Montreal have their own inspectors?—A. Yes.

Q. Why is it necessary for you to have them?—A. In order to make sure again; because I would say that in the city of Montreal they do the best they can, and with the number of inspectors that they have we think it is safer for us to inspect our own.

Q. Well, that is making insurance doubly sure, but it is not absolutely necessary?—A. Well, it is better.

Q. It adds to the expense. The supreme inspector is the city of Montreal?—A. No. We are glad to make the necessary expense because it ensures a better quality of milk to our customers.

Q. It simply makes more expense for nothing?—A. I would not say,—

Q. Does not the inspector at Montreal have the supreme authority?—A. They have the supreme authority, but if I can do better in the city of Montreal it is our business to do better.

Q. Now, Mr. Charest, you say you pay for distributing milk a certain price to the producer?—A. Yes, sir.

Q. Do you always agree upon the price?—A. With the distributors? Yes.

Q. With the producers?—A. Yes.

Q. Now, here is a letter which was sent out "To all our milk shippers: Dear sir, please be advised that starting February 1, 1933, until further notice the price will be \$1.35 for 100 pounds for 3.5 milk."—A. Yes.

Q. Was that by agreement or just because you said so?—A. No. That is the price agreed upon with the association, \$1.35.

Q. Did you have a meeting with the association?—A. We did, sir.

Q. You had a meeting with the association?—A. Yes.

Q. With the association?—A. Yes.

Q. They say not?—A. Well, I know we had.

Q. Here are some milk returns for 1933. I see in the month of April, 1932, there were about 3,900 pounds of milk at \$1.38; there were 1,200 pounds at 85 cents; 1,300 pounds at 70 cents?—A. Yes.

Q. What is the difference in that milk? It says separated milk 85 cents; milk used for manufacturing 70 cents. What is the difference?—A. On what date was that?

Q. April, 1932.—A. What is the top price—the price paid?

Q. \$1.38.—A. What is the butterfat of that milk?

Q. 3.6.—A. Well, 3.5, \$1.35 plus 3 cents; that is \$1.38.

Q. Then there was 1,200 pounds at 85 cents per hundred. There were 3,900 pounds at \$1.38 and there were 1,200 pounds at 85 cents and 1,300 pounds at 70 cents.—A. Three prices.

Q. What is the milk used for manufacturing for 70 cents? What is that for?

The SECRETARY: That is separated milk for 70 cents. Can we see that statement?

MR. PICKEL: No. The men asked me to be sure not to let their names be known.

The WITNESS: Will you just show us the statement?

MR. PICKEL: No, I will not do it. I am reading it to you. Anybody else can read it—a disinterested party may read it. There are three kinds of milk selling at \$1.38, 85 and 70 cents?—A. Seventy cents is the surplus.

Q. What is the 85?—A. Manufacturing.

Q. The next statement is for March. There are only two classes of milk. Then for July the prices are \$1.23, 75 cents and \$1?—A. Yes.

Q. The 75 cents is for separated milk?—A. Surplus milk.

Q. Milk used for manufacturing, \$1?—A. Yes.

Q. What is that for?—A. That is milk used for manufacturing—ice cream.

Q. Why did you only pay 70 cents?—A. The sweet cream—

Q. And \$1 this time?—A. Because 70 cents is the price of butterfat.

Q. It goes down through the year?—A. I will say, sir, that when we paid these prices there was a letter sent to all patrons.

Q. Here is another shipper—\$1.33, \$1, 80 cents?—A. Yes, I agree to that; because there was a letter sent to all patrons.

Q. Now, Mr. Charest, in your surplus milk did you separate any of that for cream—for sweet cream?—A. A little of it.

Q. How much butter do you make in your plant?—A. I have not got the exact figures.

Q. File them with the chairman.

By the Chairman:

Q. Could you not tell us approximately?—A. About 2,000,000 pounds.

By Mr. Pickel:

Q. Just make a note of that, please?—A. Yes, sir. I supposed you know, as we buy cream from farmers especially to make butter.

Q. Yes? You buy it expressly to make butter?—A. Absolutely.

Q. To make butter?—A. Yes, sir.

By the Chairman:

Q. That is sour cream?—A. That is sour cream.

By Mr. Pickel:

Q. Give me the price of your 10 per cent, 15 per cent, 20 per cent, 30 per cent and 40 per cent cream by quarts or by half-pints—any way you like. What do you ask for a half-pint of 10 per cent cream?—A. I have not got those figures in my memory.

Q. That is your business. You should know that from doing business?—A. I have the prices for 1933.

Q. I am talking of an approximately price?—A. At the present time we sell 10 per cent cream 8 cents for a half-pint; 15 per cent cream for 12 cents; 20 per cent—I would say 20 per cent—

By Mr. Gobeil:

Q. It cannot be 20 cents for 15 per cent flat?—A. I would say 8 cents, 12 cents and 15.

By Mr. Pickel:

Q. For 30 per cent?—A. Thirty-five per cent, 25 cents a half-pint.

Q. For the 30 per cent?—A. Thirty-five per cent, sir.

Q. Now, what for the 40 per cent?—A. We did not have any last year.

Q. Do you homogenize your cream?—A. No, sir.

Q. It is not homogenized?—A. No, sir; some of it.

Q. Mr. Charest, is it not well known that there is a good deal more money in your cream trade than there is in your milk trade?

The CHAIRMAN: You mean more profit?

The WITNESS: Yes, there is.

By Mr. Pickel:

Q. Can you tell me the amount of your surplus milk that you separate and use as sweet cream?—A. I have not got it.

Q. It is a considerable quantity?—A. A very small quantity, sir. I would say, not to mislead anybody, that surplus milk was known by our shippers that it was to be paid at the price of butter. There was a letter sent to that effect.

Q. You are not losing anything on separated milk when you separate it and get sweet cream, and there is more in the sweet cream trade than there is in the whole milk trade?—A. I am telling you that all approximately.

Q. What is the price of your ice cream?—A. I have not got the cost, but I can give you the profit that they made.

Q. The total profit?—A. Yes.

Q. How much?—A. In 1932 we made \$26,680.02, and we have paid as sales tax \$22,848.20.

Q. How much?—A. \$22,848.20.

Q. On what?—A. Sales tax.

Q. Is that for your entire business?—A. No, sir; on ice cream. So the net profit on ice cream for the year 1932 was \$3,851.82.

Q. Now, you gave us the date of your financial structure as 1914 when the charter was taken up. That was by J. J. Joubert & Company?—A. J. J. Joubert, Limited.

Q. And what is the next date?—A. 1914 to 1921.

Q. 1914 the capitalization was what?—A. \$299,000.

Q. 1921? Was there any change made in capitalization?—A. It was increased from \$299,000 to \$500,000.

Q. And the next date?—A. The next date was in 1930.

Q. Nineteen what?—A. 1930.

Q. There was a date in between, 1925; what was that?—A. Yes, 1925.

Q. What was that?—A. 1925, from \$500,000 to \$1,500,000.

Q. Now, the next date?—A. That is all.

Q. Just 1930?—A. That is all I have here.

Q. That would be 1914, 1921, 1925 and 1930?—A. Yes.

Q. What was the capitalization in 1930?—A. We went up to \$1,500,000.

Q. Was there any change made in 1925?—A. No. There was none.

Q. It was still \$500,000?—A. Yes, sir.

Q. When did the Borden company take charge of the J. J. Joubert company?—A. We were affiliated with them in 1930.

Q. You were affiliated with them in 1930?—A. Yes.

Q. What do you mean by affiliated?—A. An exchange of shares. They gave us some of their shares and we gave them our shares.

Q. What did they amount to?—A. I think I will leave this with the president. I do not think—I should leave this with the president.

The CHAIRMAN: With the president?

The WITNESS: I leave this with the chairman.

The CHAIRMAN: No. From this time on I am going to insist on these matters being given.

The WITNESS: I have not it exactly.

By Mr. Pickel:

Q. Give it approximately?—A. It was in shares.

Q. How much was it in thousands or millions?—A. Forty-three thousand shares.

Q. At that time what was the value?—A. It was valued about \$3,000,000.

Q. About \$3,000,000?—A. About \$3,000,000.

Q. That was in 1930?—A. Yes.

Q. Who was the president of J. J. Joubert company?—A. Mr. J. J. Joubert.

Q. What is his salary?—A. Well, I would be quite pleased to leave this with the Chairman.

The CHAIRMAN: Well, Mr. Charest, we have decided in committee that these things shall be given in full to the committee. It is the only thing we can do.

Mr. PICKEL: We have been very lenient. The others have promised to send us a return. If they had done so I would not ask these questions.

The WITNESS: But, I am going to give it right away.

The CHAIRMAN: I think it is the best thing to do.

The WITNESS: I am going to give it to the chairman right away.

The CHAIRMAN: Oh, no; I am not going to accept these things and have to keep them in confidence and be responsible for them. These matters must be given in full to the committee. I am going to call—the committee intends to recall the other witnesses and get this information from them as well, so you will not be put in any different position to the others.

Mr. PICKEL: We do not want to whitewash this evidence. We want to be fair to everybody. Most of the committee here believe that it is important that there should be some intelligent understanding and control of the milk trade of Montreal and the producer should co-operate with the big distributors in Montreal and get rid of the bootlegging man. We want to know the whole situation. We want to help you as well as to help the producer. Do you know what Mr. Joubert's salary is?—A. Yes, I do know.

By the Chairman:

Q. I think you should give it, Mr. Charest?—A. I do not mind giving my own—but somebody else's—mine is \$13,500.

Q. That is your own salary?—A. Mine.

Q. I think you should give them all, Mr. Charest?—A. Mr. Joubert's in 1932 was \$13,500 also.

By Mr. Pickel:

Q. What is it this year?—A. It is less this year.

Q. What was it the year before?—A. The year before, 1932?

Q. 1931?—A. It was \$15,000.

Q. Who is your vice-president of the company?—A. At the present time it is myself.

Q. This \$13,500 covers that. Who is the secretary?—A. He is not any more.

Q. What was his salary?—A. It was \$8,000.

Q. Who is the treasurer?—A. I am.

Q. Who other officials connected with your company are drawing salaries of over \$5,000?—A. I do not know the names. \$2,765, that is the average for 1932.

Q. Are they bonded?—A. Yes. They were not last year, but they are now.

Q. What is your profit and loss?—A. \$147,166.16.

Q. That is your loss?—A. No, that is not the loss, that is the profit.

Q. I am asking you what loss you sustained for bad debts?—A. Oh, debts, \$3,027.27.

Q. You are running your business pretty carefully, \$3,027.27. What about bottles?—A. Bottles in 1932, it was \$13,000—around \$13,000, a little over.

Q. How much income tax does the company pay?—A. It has not paid any for 1930.

Q. For 1932?—A. It is not figured yet.

Q. For 1931?—A. We were supposed to pay for 1931, \$18,957.28.

Q. \$18,000?—A. Yes, \$18,000.

Q. Nearly \$19,000?—A. Yes.

Q. Could you give the committee any idea of the cost of pasteurization itself?—A. I have not got it.

Q. It would be very small, would it not?—A. I have not got those figures.

Q. Approximately, would it be 5 cents a gallon?—A. I could not say. If I had the figures—

Q. You can say that. Would it be 5 cents a gallon?—A. I would not express myself unless I am sure.

By Mr. Gobeil:

Q. Just to throw a little more light on the price of milk, Mr. Charest, I understood you to say—until to-day I always understood there were only two prices for milk paid to the farm—the association price and the surplus price. Now, I have learned from Dr. Pickel that there were three different prices paid. I could not make out how they were made. Could you give us some explanation as to those three different prices?—A. Some months last year—from April we had the association price, and what went into manufacturing and surplus.

Q. What do you mean by the word “manufacturing”?—A. Milk bought for manufacture.

Q. What do you mean by that?—A. All to be put into ice cream or to be put into—to reduce the butterfat in cream.

Q. When the farmer shipped you his milk did he expect or did he know that so many pounds of his milk were to be paid for at the manufacturing price?—A. He did not know; but he received a letter that he would be paid at association price, and what would go into manufacturing would be at a certain price—we did not know exactly what it was—and what milk was not sold or manufactured would be surplus and that would be the price of butter.

Q. Was that agreed to by the producers' association?—A. They knew. We sent a letter the next morning.

Q. Just another question. You gave us the price of cream—sweet cream that you are buying as sweet cream?—A. Yes, sir.

Q. You gave us that as 24·52 per pound of butterfat?—A. Yes.

Q. Then you gave us the average price per half-pint of cream.—A. 12·87. That leaves us in the dark—

Q. The only way to file the difference between the cost price and delivery price would be for us to have the average percentage of butterfat in the cream, because you gave the average price per half-pint. Can you give us the average butterfat in the cream sold?—A. We would give you the average price we paid and the average price that we sold.

Q. Per pint?—A. Half-pint.

Q. Give us the price you paid—the average price?—A. ·0624.

By Mr. Bertrand:

Q. Mr. Charest, have you got any connection—your company, the J.J. Joubert subsidiary of the Borden Milk Company—have you any connection with the chain stores?—A. We sell to chain stores.

Q. How much per quart?—A. In 1932?

Q. 1932. Let us follow 1932.—A. We sold them 2 cents less than the retail price. The retail price was 9 cents.

Q. Did you sell to any other merchant?—A. We sold—when I say chain stores that means all grocery stores.

Q. All at the same price?—A. Two cents less a quart.

Q. You said a moment ago that the salary of Mr. Joubert was \$13,500 in 1932?—A. Yes.

Q. Your own income was \$13,500?—A. Yes.

Q. And the secretary is paid how much?—A. \$8,000.

Q. And your directors are paid how much?—A. I do not know. They were not paid any extra salary I know of, and I was not.

Q. Do you mean to say that the directors are not paid any salary?—A. No; not the J. J. Joubert company.

Q. Now, I understood you to say you were making a report to certain gentlemen in Ottawa, the Ottawa Dairy Company?—A. Thorne.

Q. Do you pay him any salary?—A. We do not, sir.

Q. You said your income tax was \$18,500 and some odd?—A. Yes.

Q. On what amount of profit was that income tax paid in 1931? Was that estimated on the 1931 income?—A. On \$155,000.

Q. On how much?—A. \$155,734.27.

Q. Was that your profit for 1932 or 1931?—A. 1932.

Q. Your profits in 1932 were \$155,734?—A. Yes, sir.

Q. A moment ago you said the producers were agreeable to the price you were paying them?—A. Yes.

Q. Later on in giving your evidence, did you not say you were writing to the customers about the change that there was going to be made in prices; that they would be informed in a letter about those changes?—A. For manufacturing and surplus.

Q. Consequently, who fixed this surplus manufacturing quantity?—A. They knew we fixed it ourselves. The price of butter is fixed on the market price of butter.

Q. Consequently you pay a price on their milk either surplus, or what you call surplus milk, on the price of the prevailing price of butter.—A. The surplus was fixed on the market price of butter, sir.

Q. In so far as this manufactured milk is concerned, you said a moment ago that you were separating a certain amount for cream. Can you supply the cream for this amount? You said it was not very much, but we would like to know the quantity?—A. I have not got it, sir.

Q. Will you supply the committee with that information later on?—A. We will furnish it.

Q. You will?—A. Yes, sir.

Q. Now, on the 27th February this year, I understand the price of milk was reduced by one cent?—A. Yes, sir.

Q. How much were you paying to the producer, association price, let us take that, as fluid milk?—A. \$1.35.

Q. \$1.35?—A. Yes.

Q. How are you fixing those prices to be paid to the producer?—A. We meet the producers.

Q. The Producers' Association?—A. The Producers' Association, and the matter is discussed, the price, not only the price, but the whole situation of the milk business is discussed with the producers and we arrive at a price with them.

Q. You said a moment ago part of your milk was based on the value of butterfat for butter making. Do you take that into consideration in fixing the price of fluid milk?—A. No.

Q. Well, on what basis do you work to fix the price of fluid milk to the producer?—A. Well, it is fixed on the street milk, on the sales of street milk.

Q. That is, for the price you can sell your sweet milk?—A. Yes.

Q. Consequently, would that be one of the means that you are employing in arriving at the price that you are going to pay to the producer. In arriving at the price you are going to pay to the producer, you are taking into consideration the price you can sell your milk, for first, and then you deduct your

spread?—A. No. We meet the producers and they bring in their reasons for asking for so much more for their milk, and this is discussed with all the milk dealers, and we arrive at some agreement with them.

Q. Well, I cannot catch that point at all; that is not clear at all. You said you are not basing your price on the value of butterfat for butter making in fixing the price for fluid milk?—A. Surplus milk does not enter into the consideration of the price at all, sir.

Q. Very well then, I will accept that. Then I should like to ask on what basis are you fixing your prices to the producer. You said on the possible price of the sale of milk. My next question is this: you take the price you can sell your milk for as fluid milk and deduct your spread and give the balance to the producer?—A. We have to get a certain profit, of course.

Q. Well, I shall change that question. You deduct the price or spread plus your profit that you have, and give the balance to the producer?—A. We must always take into consideration the amount of money we are making, or profits.

Q. Well, I am sure that you do that. Don't tell me about that; I am sure you do that.—A. Parlez-vous Français?

Q. Yes, but for the benefit of the committee we have to continue in English. I would rather speak in my own tongue, but for the benefit of the committee I have to carry on in the English language myself, so I shall ask you to do the same. I am really sure you are taking care of your profits, but what I am driving at is this: after deducting your profit and your spread, the balance goes to the producer?

MR. MOORE: In other words, they always make the same profit, and the farmer gets what is left.

THE WITNESS: We say the producers are asking so much for 100 pounds of their milk, and are considering what we have done before, our profits in the past years and all that, and we can arrive at a settlement at such a price.

By Mr. Bertrand:

Q. Well, let us take it the other way. You were paying \$1.35 per 100 pounds of fluid milk before the one cent deduction occurred on the market, and you are paying the same price still, I understand?—A. Yes.

Q. A moment ago you made a declaration that your profits were .023 per quart?—A. Yes.

Q. That is on your last year's operations?—A. Yes.

Q. Consequently you are now operating at a loss?—A. We are.

Q. You were saying a moment ago you were going to make a certain margin of profit to protect your own interest?—A. This year there would be a loss.

Q. With this cent deduction it will mean 40 cents a hundred pounds. Do you mean to say that in some future time, when this enquiry is over, or afterwards, that eventually that deduction has to be passed on to the producer?—A. I have no doubt.

Q. That makes that point clear. You said a moment ago you made something like \$25,000 or \$26,000 profit on ice cream.—A. \$3,000.

Q. No, the gross profit.—A. \$26,680.02.

Q. Of profit on ice cream?—A. Yes, sir.

Q. You made some \$25,000, or \$26,000 profit on ice cream?—A. \$3,000 net.

Q. Net profit, yes.—A. \$26,680.02.

Q. That is profit on ice cream?—A. Yes, the sum of \$22,000 and some odd hundred for sales tax alone?—A. Yes.

Q. Can you give us the figures on what amount of ice cream that you paid this income tax?

THE CHAIRMAN: Sales tax, you mean.

By Mr. Bertrand:

Q. On which you paid sales tax?—A. We have not got that. We could give you that.

Q. How much is the sales tax?—A. Six per cent.

Q. Will you please supply us with a statement just covering that particular point?—A. We will.

Q. That is probably the most absurd one we have heard of; may I just be permitted to say that?—A. Well, we will.

Mr. GOBEIL: You are forgetting that that is not—

Mr. BERTRAND: It is paid on sales.

Mr. GOBEIL: You can't very well make such a statement.

Mr. BERTRAND: Unfortunately, anyone connected with the ice cream business—and I happen to have operated one of those little ice cream plants in the country district, and for anyone operating such a little plant, we know that there is a tremendous profit there, and when they say 6 per cent of the whole business will cover probably some 75 or 80 per cent in sales tax alone, I repeat it is the most absurd evidence we have had during the course of this inquiry so far.

Mr. MULLINS: There is a mistake.

The WITNESS: Well, I would invite you, if you know something about it, to look at our books.

Mr. BERTRAND: I think it would be for you to invite me to show you how to do it to make more profit.

The WITNESS: There are correct figures.

Mr. BERTRAND: Well, you produce a statement of that, will you?

By Mr. Pickel:

Q. Mr. Charest, you had—

The CHAIRMAN: Wait till Mr. Bertrand is through.

Mr. BERTRAND: I am through.

By Mr. Pickel:

Q. You sold ice cream to the extent of \$26,800?—A. I beg your pardon?

Q. \$26,800?—A. \$26,680.02.

Q. That is your income from ice cream?—A. That was our profits.

Q. Your profits?—A. Net profits.

Q. Net profits.

The CHAIRMAN: Gentlemen, it is away after one o'clock.

The WITNESS: And the sales tax taken off, there is a net profit left of \$3,831.82.

Mr. PICKEL: And paid sales tax, \$22,848.20.

The CHAIRMAN: All right.

By Mr. Barber:

Q. On the Montreal market I suppose one factor that enters into the price of milk is the fact that there is a low price milk reaching that market; that is what we sometimes call bootleg milk brought in from the country and sold at a low price.—A. Well, we know of that; we know there was a lot of milk coming in at night.

Q. You knew there was a lot coming in?—A. Yes; it was called bootleg.

Q. If there was something in the way of orderly marketing—.—A. At least, we know—it was said some of the time that we were representing the people that did it.

Q. If there was some arrangement made whereby the product of the producer's milk was marketed in a more orderly way, it would be beneficial all around, would it not?—A. Well, they can't control all the milk. There is too much milk produced in the market, for the Montreal market.

Q. That is just what I was trying to get at, a rushing for the retail market has caused a slump in prices?—A. Yes; there is too much difference between the factory prices in the country, and the price of fluid milk in the city.

Q. Well, if there was a proper organization, the surplus could be held back, and cut down other channels, the amount of whole milk shipped or delivered retail in the city could then be more or less regulated?—A. It would be better; certainly, it would be better.

By Mr. Pickel:

Q. Mr. Charest, in cream—speaking of the profits in cream, here is a return sheet from you giving 24 cents per pound for 30 per cent cream.—A. No, 24 cents per pound does not amount to—

Mr. GOBEL: Butter fat?

By Mr. Pickel:

Q. Yes, 24 cents per pound butter fat.—A. Yes.

Q. This fellow was sending 30 per cent?—A. It might have been 30 per cent cream, it might have been 40 per cent cream.

Q. What would you sell that for, that same cream at 30 per cent?—A. Well, then we made butter with it.

Q. That figures up about 80 cents?—A. If it was sour cream, make butter with it.

Q. I am talking about sweet cream; that figures out about 80 cents a pound, for which you pay 24 cents.—A. Well, you must know, there is a lot comes back, that although it is sweet, the result is it is not all sold.

Q. Well, it is well understood.—A. I say it was sold, but when we sell it on the rigs, a lot of it comes back and we make butter out of it.

Q. Is it not well understood in the trade that there is a good deal more money made in the sweet cream trade than there is in the milk trade?—A. At the present time there is.

Q. Does it cost you more for delivering milk to-day than it did fifteen years ago?—A. It certainly does.

Q. Are not a good many of your processes cheaper to-day, your bottling?—A. I would not say they are cheaper, because we have so much more machinery than we had.

Q. You have more machinery?—A. We have more regulations.

Q. But your actual cost of bottles and delivery is cheaper to-day?—A. That is not all that enters into it; delivery expense is very great.

Q. I understand; but you deliver your bottle quicker than you can from a can and pour it out?—A. No.

Q. —and go around and find a pitcher or something to put it in.—A. The routes are smaller too.

The CHAIRMAN: Gentlemen, there is not a quorum present.

Mr. MULLINS: I would like to ask one question. You are a practical man; you have had to do with dairying all your life?—A. Not all my life.

Q. Well, a big part of it?—A. A good many years.

Q. What type of cow would you prefer to get milk from?—A. Well, there are some Holstein men and there are some Ayrshire men; I am an Ayrshire.

Q. What about shorthorns; don't you put some of the milk you get from certain herds—don't you have to put some in to strengthen up some of this

weak blue milk that you get?—A. We don't get any blue milk. Then we get milk that is under two—under the regulations, that is 3·25, it is refused.

Q. Do you get it below 3·5?—A. We don't get any.

Q. You get it all above 3·5?—A. Yes; that is why we pay a premium, to get it.

Q. You don't have to strengthen the milk at all with any process?—A. No.

Q. Powders or anything?—A. No.

Q. Or milk from a particular breed of cow?

By Mr. Pickel:

Q. Do you sell certified milk?—A. Yes.

Q. At how much?—A. 25 cents a quart.

Q. 25 cents a quart?—A. Yes.

Q. How much do you sell of it?—A. If you ask me how much, what price we sell it for, I might tell you how much we pay for it also. It would be perhaps looking at the picture on both sides. We pay eighteen cents a quart.

Q. And sell for 25?—A. Yes.

Q. That is not pasteurized at all?—A. No.

Q. Just as you get it?—A. Yes.

Q. You don't run a farm or dairy in connection with your distributing?—A. No, we don't.

Q. You are lucky.

The CHAIRMAN: Gentlemen, the committee is adjourned.

The committee adjourned at 1.15 o'clock, to meet at the call of the Chair.

APPENDIX B

J. J. JOUBERT LIMITEE

	March 17, 1933.
Capital stock.....	\$ 765,100 00
Reserve and surplus.....	1,211,119 03
Total.....	\$ 1,976,219 03
Net income 1932.....	147,166 16
Per cent of invested capital.....	7.446

J. J. JOUBERT LIMITEE

Bottle expense in year 1932

Dominion Glass Co.....	\$ 8,591 35
Milk Dealers' Bureau.....	4,528 62 (1½c. per bottle)
Total.....	\$ 13,119 97

Bottle expense in year 1931

Dominion Glass Co.....	\$ 15,662 72
Milk Dealers' Bureau.....	4,135 96 (1½c. per bottle)
Total.....	\$ 19,798 68

13½ per cent of sales are in pints.

J. J. JOUBERT LIMITEE

STATEMENT OF OPERATING RESULTS—YEAR ENDING DECEMBER 31, 1932

	Milk converted quarts	Percentage of selling price
Sales.....	·0968	
Cost of product.....	·0387	39.97
Production, selling and delivery expense.....	·0555	57.33
Net profit (less income tax).....	·0023	2.37
Income tax.....	·0003	.33
Total cost and profit.....	·0968	100.00

68 per cent of sales of milk are made at retail.

BORDEN'S FARM PRODUCTS CO. LIMITED

STATEMENT OF OPERATING RESULTS—YEARS ENDING DEC. 31ST, 1931 AND 1932

	Milk converted quarts 1931	Percentage of selling price 1931	Milk converted quarts 1932	Percentage of selling price 1932
Sales.....	·1155		·1041	
Cost of product.....	·0521	45.11	·0415	9.87
Production expense.....	·0127	11.00	·0119	11.43
Selling and delivery expense.....	·0403	34.89	·0412	39.58
Container costs.....	·0022	1.90	·0019	1.82
Net profit (less income tax).....	·0074	6.41	·0068	6.53
Income tax.....	·0008	.69	·0008	.77
Total cost and profit.....	·1155	100.00	·1041	100.00

Quantities.....

8,679,919

7,219,313

J. J. JOUBERT LIMITEE

Net profit on ice cream in 1932.....	\$	26,680 02	
Sales tax—Dominion of Canada.....	\$		22,848 20
Net profit.....			3,831 82
	\$	26,680 02	

J. J. JOUBERT LIMITEE

STATEMENT AS TO WAGES AND SALARIES OF EMPLOYEES

Total number of employees, 604. Our total for wages and salaries in 1932 amounts to \$813,403.65. We have 138 drivers, and their wage earnings for February, 1933, average \$27.65 per week.

J. J. JOUBERT LIMITEE

This company was incorporated by letters patent of the Province of Quebec, on December 4, 1914. The charter of the company was amended on January 18, 1921, and again upon December 30, 1925, and December 3, 1930.

These amendments consisted in changing the powers of the company, excepting that the amendment in 1921 increased the capital from \$299,000 to \$500,000 and December 30, 1925, from \$500,000 to \$1,500,000.

The present capital structure of this company is as follows: \$765,100—7,651 shares of a par value of \$100 each; \$1,211,119.03—reserve and surplus; \$1,976,219.03—total capital.

Our company has its head office in the City of Montreal, and its officers are as follows: President, Mr. J. J. Joubert; Vice-President and Treasurer, Mr. N. S. Charest; Secretary and Controller, Mr. J. A. Martin.

During 1932 our company made profits on its total invested capital of 7.446 per cent. Our company's investment in Land, Buildings, Equipment, etc., is the following:

Land.....	\$	176,642 60
Buildings.....		750,791 34
Machinery, tools and equipment.....		670,949 02
Mechanical refrigerating cabinets.....		263,332 63
Bottles, boxes, cans and tubs.....		94,553 31
Motor vehicles.....		187,724 30
Horses, harness and waggons.....		162,684 48
Furniture and fixtures.....		29,658 69
	\$	2,336,336 37
Less reserve for depreciation.....		1,118,607 13
Total.....	\$	1,217,729 24

J. J. JOUBERT LIMITEE

Our Profits for the year 1932 were \$147,166.16, which represents all the profits we earned upon our various products, milk, cream, butter, buttermilk, cheese, eggs, ice cream, etc.

J. J. JOUBERT LIMITEE

Table No. 1

Table No. 2

Month	Purchase price		Retail price per quart	Spread per quart	Lbs. of milk purchased	Value and premium per cwt.	Value per quart	Number of quarts sold	Total value		Value per quart	Spread per quart
	per quart											
	per cwt.	\$ cts.										
1932									\$	cts.		
January.....	1-70	.0438	.11	.0662	2,898,347	1-7514	.0451	1,013,115	104,922	13	.1036	.0584
February.....	1-70	.0438	.11	.0662	2,821,412	1-7579	.0453	1,008,116	114,640	37	.1038	.0585
March.....	1-70	.0438	.11	.0662	2,980,280	1-7463	.0450	1,067,545	110,099	09	.1031	.0581
April.....	1-575	.0393	.10½	.0657	2,673,330	1-5400	.0397	986,833	98,009	97	.0993	.0596
May.....	1-35	.0348	.10	.0652	2,717,088	1-2967	.0334	1,002,986	94,279	61	.0940	.0606
June.....	1-35	.0348	.10	.0652	2,439,996	1-3429	.0346	900,700	84,883	54	.0942	.0596
July.....	1-35	.0348	.10	.0652	2,272,362	1-3281	.0342	838,820	78,143	28	.0932	.0589
August.....	1-35	.0348	.10	.0652	2,203,938	1-3194	.0340	813,562	75,659	69	.0930	.0590
September.....	1-35	.0348	.10	.0652	2,372,203	1-3240	.0341	875,675	80,252	22	.0916	.0575
October.....	1-35	.0348	.10	.0652	2,393,035	1-3237	.0341	883,365	81,346	57	.0928	.0580
November.....	1-35	.0348	.10	.0652	2,602,423	1-4290	.0368	871,412	80,069	98	.0919	.0556
December.....	1-60	.0412	.11	.0688	2,963,331	1-6841	.0434	888,243	87,553	23	.0886	.0552
Total.....					31,337,745			11,150,372	1,079,859	68		
Average.....	1-476	.0381	.1038	.0657	2,611,479	1-5030	.0387	929,198	89,988	31	.0968	.0581

Note: Average price F.O.B. City Railroad Station for 3-5% Milk, based on 38-8 Quarts per 100 lbs.

Note: 3c. per point premium above 3-5%.

Table No. 2A

Table No. 3

Table No. 4

Spread per Quart (A) (See Table No. 1) Based on Top Retail and Nominal Purchase Price.
Spread per Quart (B) (See Table No. 2) Based on Actual Price Realized and Actual Cost of Milk.

Average Price Paid for all Milk for Pounds of Milk Purchased and Disposition. all Purposes.

Month	A	B	Differ- ential between A & B	Month	Per cwt.	Per quart	Month	Lbs. milk purchased 1932			Percentage		
								Street sales	Surplus	Total	Street sales	Surplus	Total
1932													
January.....	.0662	.0584	.0078	January.....	1.636	.0426	January.....	2,898,347	492,402	3,390,749	85.5	14.5	100
February.....	.0662	.0585	.0077	February.....	1.696	.0437	February.....	2,821,412	224,850	3,046,262	92.6	7.4	100
March.....	.0662	.0581	.0081	March.....	1.665	.0429	March.....	2,980,280	393,101	3,373,381	88.4	11.6	100
April.....	.0657	.0596	.0061	April.....	1.374	.0354	April.....	2,673,330	821,162	3,494,492	76.5	23.5	100
May.....	.0652	.0606	.0046	May.....	1.191	.0307	May.....	2,717,088	771,582	3,488,670	77.9	22.1	100
June.....	.0652	.0596	.0056	June.....	1.166	.0301	June.....	2,439,996	1,240,065	3,680,061	66.3	33.7	100
July.....	.0652	.0589	.0063	July.....	1.178	.0304	July.....	2,272,362	998,330	3,270,692	69.5	30.5	100
August.....	.0652	.0590	.0062	August.....	1.205	.0311	August.....	2,203,938	709,868	2,913,806	75.6	24.4	100
September.....	.0652	.0575	.0077	September.....	1.234	.0318	September.....	2,372,203	576,802	2,949,005	80.4	19.6	100
October.....	.0652	.0580	.0072	October.....	1.260	.0325	October.....	2,393,035	322,618	2,715,653	88.1	11.9	100
November.....	.0652	.0555	.0097	November.....	1.429	.0368	November.....	2,602,423	963	2,603,386	99.9	.1	100
December.....	.0658	.0552	.0106	December.....	1.682	.0434	December.....	2,963,331	7,908	2,971,239	99.7	.3	100
Total & Average.....	.0657	.0581	.0076		1.393	.0359		31,337,745 2,611,479	6,559,651 546,637	37,897,396 3,158,116	82.7	17.3	100

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Publications

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, MARCH 30, 1933

No. 10

Reference,—Milk and Milk Products

WITNESSES:

E. A. Cousins, President, Ernest Cousins Ltd., Montreal.
F. Monette, President and Manager, Perfection Dairy, Ltd., Montreal.
Appendix B,—Documents filed by Witnesses, Cousins and Monette.
Appendix C,—Documents filed by Witness, P. O. McArthur.

(See No. 2, Proceedings and Evidence.)

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

THURSDAY, March 30, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Bowman, Bouchard, Boulanger, Boyes, Brown, Carmichael, Donnelly, Dupuis, Gobeil, Hall, Hay, Loucks, McGillis, McKenzie, Moore, Mullins, Pickel, Sauve, Seguin, Shaver, Stewart, Stirling, Taylor, Thompson, Tummon, Weese, Wilson, Weir (*Macdonald*).

The subcommittee on witnesses reported that E. A. Cousins and F. Monette of Montreal had been summoned to attend to-day.

Report concurred in.

E. A. Cousins, President, Ernest Cousins, Limited, recalled and examined.
Witness retired.

F. Monette, President and Manager, Perfection Dairy Limited, recalled and examined.

Witness retired.

Moved by Mr. Spotton that witness Cousins be recalled at the discretion of the subcommittee on witnesses together with the chartered accountants whose certificate appears to the Annual Financial Statement of the company.

Motion carried.

The meeting adjourned at the call of the Chair.

A. A. FRASER,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

MARCH, 30, 1933.

The Select Standing Committee on Agriculture and Colonization met at 10.30 a.m. Mr. Senn presiding.

The CHAIRMAN: Gentlemen if you will come to order I think we are ready to proceed with the taking of evidence, and Mr. Cousins and Mr. Monette are both here to give evidence. It is the wish of the committee that these gentlemen be heard. Carried.

ERNEST ALBERT COUSINS, called and sworn.

By the Chairman:

Q. Mr. Cousins, what is your position?—A. President of the Ernest Cousins Dairy Company, Montreal.

Q. Have you a statement to make first?—A. Gentlemen, I understand when my son was here that he gave you all the necessary information that was requested. When he came home he said that you desired some further information. I have the synopsis of the information you require here which I shall be very pleased to give you and any other information that you desire for the betterment of the agriculturist and the milk dealer, because I may say that we are both in the unfortunate condition of being in a poverty stricken condition at the present time. Now, I understand the first thing you desire is a report of the statement, the audit statement of 1931. I have that here. I see that you have a compendium of this in the Agriculture and Colonization minutes of proceedings and evidence Tuesday, March 14; so, I am open to answer any questions that you desire. I can go right through this evidence again if you so want it, but I think it is quite unnecessary.

The CHAIRMAN: There are a number of copies of this evidence here, a few—not enough for all the members of the committee—but so far as we can hand them around they are available. Now, there were certain questions which Mr. Tummon, a member of the committee, desired to be answered.

The WITNESS: The first of these, profit and loss statement for the year 1931, I have it. Do you desire I should read it?

Mr. BROWN: The 1932 statement had not been audited when we had the report.

The WITNESS: That is the fact, and it is not properly audited yet, but I have it.

By the Chairman:

Q. Is it the same statement as was included in the original minutes?—A. Exactly.

Q. There is no need of reading it again?—A. No, not without necessity.

Mr. BOWMAN: May I be permitted to ask Mr. Cousins a few questions with regard to the financial set-up of this company?

The CHAIRMAN: May I say, gentlemen, at the beginning that when you are asking Mr. Cousins and Mr. Monette questions based on the evidence that was

given formerly, if you will give the committee the page on which the information is contained and upon which your question is based it will be helpful to the reporter.

The WITNESS: Probably I can give you an answer to the question you desire.

By Mr. Bowman:

Q. Wait a moment until I ask it?—A. Yes.

Q. When was your company formed?—A. I might say that my business was started by myself in the year 1889. It ran under my own name, and it is run under my own name yet, but in the year 1914 we formed a company.

Q. What was the capitalization of the company at that time?—A. The capitalization of the company at that time was in the neighbourhood of \$125,000.

Q. You say "in the neighbourhood;" can you tell me what it was?—A. You desire that I should read you this whole thing?

Q. No; answer the question?—A. "Ernest Cousins Limited— Capital Structure: Ernest Cousins Limited was incorporated under Dominion Letters Patent dated the 9th of April, 1925, with an authorized capital as follows—"

Q. Just a minute. Will you kindly refer to 1914 and tell me what the capitalization of the company was at that time?—A. I have not those figures, because that was a company that was incorporated under my own name and did not concern any person at all. It was an incorporation of \$125,000.

Q. You remember the capital set up?—A. Yes.

Q. What was it?—A. About \$125,000.

Q. In common stock?—A. No stock. There was no stock issued. Practically I held everything because it was my own business.

Q. Did you issue stock at that time?—A. I did not.

Q. None at all?—A. None at all.

Q. It was just a registered company?—A. Exactly.

Q. It was not a joint stock company?—A. Exactly.

Q. When was the next change in the financing of the company?—A. "Ernest Cousins Limited was incorporated under Dominion Letters Patent with an authorized capital as follows: 5,000 7 per cent cumulative redeemable preferred shares of \$100 each; 10,000 shares of no par value. Supplementary letters patent were obtained during 1928—"

Q. Just a moment. Let us deal with 1925. You say at that time there were 5,000 shares of preference stock?—A. 7 per cent cumulative redeemable preferred shares of \$100 each.

Q. How many were issued?—A. It was all issued.

Q. Ten thousand shares?—A. Of no par value.

Q. Now, were those 10,000 shares all issued too?—A. Yes. They were all issued.

Q. In 1925 what were those no par value shares carried at as a liability on the ordinary balance sheet of the company?—A. "Supplementary letters patent were obtained in 1928—"

Q. Just answer my question?—A. This will tell you.

Q. No. What were the no par value shares carried at on your books after you had reorganized in 1925?—A. The no par value?

Q. Yes. What were they carried at on your books?—A. That I cannot tell you. They were no par value and they were issued with the preferred stock.

Q. Quite true, but they are carried—they are recently carried on your books at a certain value, are they not?—A. If you will allow me to read this.

Q. Answer my question?—A. My mind is not good enough to answer these things without referring to the figures. Figures cannot lie, and here are the facts.

Q. Cannot you tell me now what your no par value stock is carried at on your ordinary annual audit statement?—A. I will give it to you right here: Capital stock authorized, preferred 14,124 7 per cent cumulative shares, redeemable shares at \$25 each. That is the price of those shares. 10,000 shares of no par value issued; preferred 6,125 shares at \$25 each; 10,000 shares of no par value issued at \$5 per share.

Q. Now, what statement are you reading from?—A. 1931.

Q. 1931? So that these no par value shares in 1931 are carried at a nominal value?—A. \$150,000.

Q. \$150,000?—A. Exactly.

Q. Now, you said a moment ago, referring to the 1925 set-up that there were 5,000 shares of 7 per cent cumulative stock valued at \$100 all of which were issued?—A. Evidently, yes.

Q. In other words, you would have \$500,000 worth of preference stock outstanding?—A. No, no. The amount outstanding is \$153,100.

By the Chairman:

Q. To-day; but in 1925?—A. There is no difference between then and now.

By Mr. Bowman:

Q. Oh, yes. I am sorry. You made a further set-up in 1928 or 1929. I have it before me?—A. "Supplementary letters patent were obtained during 1928 by which 1,469 preferred shares were cancelled and the remaining 3,531 preferred shares of a par value of \$100 each were changed into 14,124 preferred shares at a par value of \$25."

By the Chairman:

Q. It was split four ways then?—A. Exactly.

By Mr. Bowman:

Q. You see, Mr. Cousins, if you will kindly follow my questions it will make it easier for the committee to follow?—A. Go ahead, sir.

Q. Let us go back to the statement you made a moment ago about 1925. At that time when the company became incorporated you issued 5,000 shares of 7 per cent cumulative stock?—A. Of \$100 each.

Q. \$100 per issue. That was all issued?—A. Yes. I presume it was.

Q. You said it was?—A. Yes; I presume it was.

Q. And also 10,000 no par value shares?—A. Exactly.

Q. Of common stock?—A. Exactly.

Q. Now, to whom did that stock issue and what for?—A. To whom was it issued?

Q. And what for?—A. It was sold for money received.

Q. To whom?—A. Various persons; whoever desired to enter into and buy that stock just as any other stock. The stock was put on the market as any other stock would be and it was sold to whoever so desired to buy it.

Q. And what was paid to the old company for their interest in the business?—A. "The company received the following consideration for the shares issued."

Q. What are you reading from?—A. I am reading from Dominion Letters Patent dated the 9th of April, 1925.

Q. All right.—A. Is that satisfactory? "Preferred stock, cash invested by subscribers 4,537 shares at \$25, making a total of \$113,425.

Q. What was that?—A. \$113,425.

Q. Then, how do you explain that with your statement 5,000 7 per cent \$100 par shares were issued and fully subscribed for?—A. I do not explain that. The facts are here as audited, and I cannot explain more than that.

Q. The statement you are making does not conform with the statement which you just now made, that in 1925 there were 4,537 shares of \$25 stock issued. A moment ago you said there were 5,000 shares of 7 per cent stock issued?—A. These are audited accounts.

Q. Well, we cannot help the auditor's accounts. You ought to know the financial position of your company?—A. I am telling you the issue of preferred is 6,124 shares at \$25. That is 1925; and this was later supplementary letters patent were obtained during 1928—

Q. 1928. Just a moment. You said 1925?—A. No, I did not. I say I read that to you.

Q. You said 1925?—A. No. In the first instance the company was 1925, and then I read to you "supplementary letters patent were obtained during 1928 by which 1,469 preferred shares were cancelled and the remaining 3,531 preferred shares of a par value of \$100 were changed into 14,124 preferred shares at a par value of \$25."

Q. All right. You have got down to 1928?—A. Yes.

Q. Now, will you finish with 1925. In 1914 you say the company was valued at roughly \$125,000?—A. Exactly.

Q. Now, your next step is 1925 when your company issued 5,000 shares of 7 per cent in cumulative stock with a par value of \$100; is that correct?—A. That is right.

Q. In other words, in 1925 you had issued one and a half million dollars worth of 7 per cent cumulative stock?—A. No.

The CHAIRMAN: That is what you said.

By Mr. Bowman:

Q. That is what you say. Are you right or wrong?—A. If you will allow me to read this to you—

Q. Never mind.—A. My dear sir, I am not going to rely on my memory for anything. I will give you the facts as I find them here.

Q. Stick to 1925 for the moment?—A. All right.

Q. Were you right in saying that your company in 1925 issued 5,000 shares of 7 per cent \$100 par preference stock; is that right?—A. "With an authorized capital as follows: 5,000 7 per cent cumulative redeemable preferred shares of \$100 each."

Q. Those were all issued?—A. Well, now, I suppose they were. I am not quite sure of that.

Q. I asked you a moment ago and you said yes?—A. I thought possibly they were, and maybe they were.

Q. Do you know?—A. I could not swear to it.

Q. How do you expect us to get the financial set-up of your company if you yourself cannot tell us?—A. Here we have the whole thing right here.

Q. Never mind right here. You have been associated with the company ever since the eighties?—A. Exactly.

Q. And you have told us one clear statement that in 1914 you had interests roughly of \$125,000?—A. Exactly.

Q. Now, I want to know what the next step is in the financial set-up in this company?—A. "Ernest Cousins Limited was incorporated under Dominion Letters Patent dated 9th April, 1925, with an authorized capital as follows: 5,000 7 per cent cumulative redeemable preferred shares of \$100 each."

Q. Were they issued?—A. To the amount of about \$113,425. That is what was the issue.

Q. Then, I understand your statement to be that the whole 5,000 were not issued?—A. They were evidently not issued.

Q. You said they were evidently not issued?—A. Evidently not issued.

Q. Now, what do you say?—A. No. I am taking the figures as I find them. I am not trusting to my memory at all.

Q. What is correct in regard to 1925 preference shares?—A. I think I have it. "Supplementary Letters Patent were obtained during 1928—

Q. Now, you are down to 1928. Give me 1925?—A. I have given it. "5,000 7 per cent cumulative redeemable \$100 each."

Q. All issued?—A. The amount issued \$113,425.

By the Chairman:

Q. At how much per share?—A. One hundred dollars, and finally turned into \$25—

By Mr. Bowman:

Q. They were not turned into \$25 shares until 1928?—A. In 1928.

Q. Please stick to 1925?—A. I am sticking to 1925.

Q. No, you are not?—A. Yes, I am.

The CHAIRMAN: Listen, Mr. Cousins, I would not interfere, but you evidently do not know what you are talking about, or else you are trying to mislead this committee. I think you should either give us a plain statement or say you do not know.

Mr. SPOTTON: Paste the papers on the wall.

The WITNESS: With reference to your statement on the present status of the milk business, I may tell you it has nothing to do with it, Mr. Spotton—the set-up of my company has nothing to do with the price of milk.

Mr. SPOTTON: Answer the question.

By Mr. Bowman:

Q. We are not here to find out whether your company are charging exorbitant—collecting exorbitant profits; all we want to know are the facts so that we can judge for ourselves?—A. I am giving that to you, sir.

Q. Now, are you correct in saying that in 1925 the amount of preference stock issued at that time was—A. \$113,425.

Q. And how much common non par value shares were issued at that time?—A. That was in 1925 or 1928?

Q. 1925?—A. There were 10,000 shares of no par value issued in 1925.

Q. And were they all issued?—A. Yes, they were all issued.

Q. They were all issued?—A. Yes.

Q. And at that time how many preference shares and how many common shares were issued to each subscriber?—A. In 1925?

Q. Yes?—A. I could not tell you the number, but it amounted to \$113,425.

Q. That is the preference?—A. No, no; that covers everything.

The CHAIRMAN: Mr. Bowman, I would suggest that you ask how many of these shares had been issued up to 1928 when the new set-up was made.

Mr. BOWMAN: I was coming to that, Mr. Senn.

By Mr. Bowman:

Q. Now, that \$113,425, that was what value in preference shares; what was the par value of preference shares?—A. At this time—

Q. I am talking about 1925.—A. Well, I am telling you.

Q. It was not turned to \$25 shares till 1928.—A. That is so.

Q. All right, then tell us the set-up in 1925.—A. Well, I told you—I gave 1925.

Q. No you have not.—A. Yes, I have.

Q. How many par value shares went to make up this \$113,425?—A. Well, it is easy enough to find that out, just divide \$113,425 by 100.

Q. By \$100. All right. In other words, you issued about 1,134 shares.—A. Somewhere in that vicinity, yes.

Q. All right. What was done with these shares? Prior to 1925 you really owned the company?—A. Exactly.

Q. Yes. Now, how many shares out of the financial set-up of 1925 did you get for your interest in the old company?—A. I can tell you that right here.

Q. Please remember, I am talking about 1925.—A. Yes. The company received the following consideration for the shares issued.

Q. Now, you are not referring to 1925 are you?—A. No, I am referring to 1928 there.

Q. Yes?—A. But it amounts to the same thing anyway.

Q. I am sorry, Mr. Cousins, it does not amount to the same thing, because I have your financial statement of 1928 before me.—A. Yes, exactly.

Q. Tell me, in 1925 what did you get for your interest in that old business which you say was not incorporated as a limited company until 1925?—A. I think I have those figures here somewhere.

By the Chairman:

Q. You may refer to your secretary at any time, Mr. Cousins, if you wish to.

WITNESS: Yes. Well, she has not these figures here. I simply have figures here that the auditor gave me, that I have down here. Now, that is the same thing, I can't get any further than that, Mr. Bowman.

By Mr. Bowman:

Q. All right then, Mr. Cousins, so that you can't tell the committee to-day what you personally got out of the company in preference stock and common stock when the new set-up was made in 1925?—A. Yes, you can take it that way if you so desire.

Q. Well, I am not taking it that way, I am asking you.—A. Well, exactly.

Q. That is the way you wish the committee to take it?—A. Exactly.

Q. So you can't possibly tell this committee what your financial interest was in the company in 1925?—A. Yes, I can.

Q. All right, will you kindly let us have it.—A. The difference between \$113,425 and \$203,100.

Q. What was the last figure, Mr. Cousins?—A. The difference between \$113,425 and \$203,100.

Q. Yes. That would be, roughly speaking, about \$87,000?—A. Exactly.

Q. Yes?—A. \$89,000, as a matter of fact.

Q. It would be \$89,675. All right now, you say that the difference between these two sums, that is approximately \$89,000, represents what?—A. Represents my share of the business.

Q. Your share?—A. The value of my business.

Q. The value of your business?—A. Of my business that was turned into the joint stock company.

Q. When you turned it into the new company, did you get that out of the company in cash?—A. No, just simply in stock.

Q. No cash at all at that time?—A. Not a single cent.

Q. Not a single cent. What stock was issued to you in payment of that difference, your equity of \$89,000?—A. Well, that would be a difference—I haven't the figures here—but it is easy enough to draw the inference.

Q. Well, are you satisfied that we do draw the inference?—A. Oh yes, I am perfectly satisfied.

Q. Then, you got out of this reorganization in 1925 for your equity, in preference stock and in on par value stock and an amount equivalent to approximately \$89,000.—A. Exactly.

Q. And what happened of the other \$113,425 to which you have made reference, can you give that?—A. That is held by shareholders.

Q. That is held by the shareholders.—A. Except \$30,000, which unfortunately, the man who issued the stock forgot to turn in, that is, he went away one night when nobody was looking.

Q. In other words then, Mr. Cousins, you might like to correct the statement which you made a few moments ago, that the capital set-up of the company was \$113,425; the real set-up is \$203,100.—A. Exactly.

Q. Well, there is quite a difference, Mr. Cousins.—A. Well, I am simply referring to the figures here, explaining to you that that amount of stock was held by the shareholders, outside of my own.

Q. Oh well, that is not what you said, of course. Instead of having a company with a financial capital of \$113,425, in 1925, you now tell us that the amount that was issued was \$203,100. Is that correct?—A. Exactly.

Q. All right, we will get this thing right after a while. Now, this \$113,425 preference stock, 1925, was that sold to the public?—A. Yes.

Q. That was sold to the public, at what figure?—A. In 1925 it was sold at \$100, and 1928 it was turned into 14,124 preference shares at a par value of \$25.

Q. All right, now we will get down to 1928, the year to which you have referred. Prior to 1928 you had issued 2,031 shares of preference stock at a par value of \$100. That would be correct, would it not?—A. Yes, it is somewhere in that vicinity.

Q. Well, for a successful business man, you are leaving a lot for the committee to guess at, aren't you, Mr. Cousins?—A. Well, I like them to do some guessing, sometimes it helps me too.

Q. All right, I think perhaps you are right. Now, Mr. Cousins, in 1928 there was a further financial reorganization.—A. Exactly, "supplementary letters patent were obtained during 1928 by which 1,469 preferred shares were cancelled, and the remaining 3,531 preferred shares of a par value—"

Q. Just a minute; let me get those figures, please, so I may make a note of them.—A. 1,469 preference shares were cancelled.

Q. Yes, go ahead.—A. "And the remaining 3,531 preferred shares of a par value of \$100 were changed into 14,124 preferred shares at a par value of \$25."

Q. Yes. Now then, let me take the statement which you have just given, Mr. Cousins. You say that in 1928, 1,469 of the preference shares were cancelled.—A. 1,469 of the preference shares were cancelled.

Q. Leaving 3,531 preference shares of a value of \$100 each.—A. And the remaining 3,531 preferred shares of a par value of \$100 were changed into 14,124 preferred shares of a par value of \$25.

Q. Yes, well, 1,469 plus 3,531 makes your 5,000 preference shares?—A. Yes.

Q. All right, now, there was at that time substituted for these shares, 14,124 preferred shares of a value of \$25 each?—A. Exactly.

Q. In other words, 3,531 preferred shares formerly valued at \$100 became 14,124 preferred shares having a value of \$25.—A. Having a value of \$25.

Q. Yes, is that correct?—A. So says the auditor.

Q. All right, now, what was done with these shares?—A. The company received the following consideration for the shares issued: preferred stock, cash invested by subscribers, 4,537 shares at \$25, \$113,425.

Q. So this money came from the 4,537 shares sold at \$25?—A. 4,537 shares at \$25, \$113,425.

Q. Yes.—A. "Net assets of the Ernest Cousins, Limited, old company purchased, exclusive of good will, 1,587 shares at \$25, \$39,675"; making a total of \$153,100; bonuses to subscribers 6,125 shares, preferred dividends.

Q. That is what?—A. Bonuses to subscribers, 6,125—that was not cash, that was in common stock.

Q. Not cash?—A. No, common stock; that was a bonus to subscribers.

Q. Yes. Now, going back to 1925, you had 2,031 shares of a par value of \$100 issued.—A. Yes.

Q. In the reorganization of 1928, three years later, you had 3,531 shares substituted for 2,031 which you had in 1925.—A. "1,469 preferred shares were cancelled and the remaining 3,531 preferred shares of a par value of \$100 were changed into 14,124 preferred shares of a par value of \$25."

Q. Yes. Well, you said a moment ago that in 1925 you had issued 2,031 shares, preference shares at \$100 par value?—A. Yes.

Q. That becomes, under the reorganization, three years later, 3,531 preferred shares.—A. That is the remaining—that was the amount: "and the remaining 3,531 preferred shares of a par value of \$100 were changed into 14,124."

Q. Oh yes, we have had that before.—A. Yes, several times.

Q. Yes, several times, but the stock you issued in 1925 became 3,531 in 1928. In other words, the capitalization of your company was almost doubled between 1925 and 1928.—A. It may have been that.

Q. It may have been that, do you know whether it was or not?—A. Yes.

Q. It was?—A. Yes, and it is worth it.

Q. Quite true. You must have been doing a pretty good business.—A. A very good business, yes, we were—only to-day we are making no money.

Q. Well, you are paying dividends?—A. No, we have not paid dividends for this last, I think, four months.

Q. Oh, you are a very fortunate business man, Mr. Cousins. Now, did you pay any dividends in 1925?—A. Excuse me a moment, to eliminate the smile, I want to say that these dividends were paid quarterly; unfortunately, owing to the terrible state of the milk business, we had to pass it—that was a month ago.

Q. In other words, as you said, you have not paid a dividend in the last four months?—A. Four months. However, I mean—.

Q. As your said poor poverty stricken milk companies?—A. Exactly, some of them are going to the poor house, I am afraid.

Q. But, at all events, your company was doing pretty well, because in 1914 they started up with a capitalization of \$125,000.—A. Yes.

Q. By 1925 that had become \$203,100?—A. Exactly.

Q. And by 1928 it had become almost double that amount?—A. Exactly.

Q. Yes, and in 1931 you were able to pay dividends on the whole amount of the capital stock of the company?—A. Exactly, all that was issued.

Q. Now, what dividend did you pay in 1931?—A. 7 per cent.

Q. 7 per cent, on what?—A. On the amount of the preferred shares.

Q. Nothing on the common?—A. Nothing whatever.

Q. Nothing on the common; and in 1931 how much preferred stock had you out?—A. The same as we had in 1928.

Q. That is, 14,124 shares?—A. Exactly.

Q. At a value of \$25 per share?—A. The Company has not been disturbed since that date.

Q. Now, in paying these dividends in 1931, you didn't pay any dividends in 1929?—A. Yes, we did; we paid dividends in 1929, in the latter end of 1929 and right through 1930-1931, I think.

Q. Yes, I see. When did you first start paying dividends. You have always paid the 7 per cent cumulative dividend on the 7 per cent cumulative stock, haven't you?—A. No, we paid some of those dividends by the issue of stock.

Q. Issue of what stock?

By Mr. Donnelly:

Q. As I remember the previous evidence given for your company it was said that in the years 1921 to 1930 you paid no dividends, now you say you paid dividends in 1929?—A. Well now, I am not sure of that fact, it may have been 1930. I haven't those figures here.

Mr. BOWMAN: I am coming to that, Mr. Donnelly.

Mr. DONNELLY: Well, I just want to get that.

By Mr. Bowman:

Q. Well, what amount of cumulative dividends are in arrears on your preferred stock now?—A. Oh, there is quite a little.

Q. Well, how much?—A. I cannot tell you the exact amount, I don't carry that in my head.

Q. Well, you have the auditor's statement here?—A. I have.

Q. Well, is there any indication in your auditor's statement as to what dividends have not been paid on the cumulative preference stock?—A. No, he doesn't show that.

The CHAIRMAN: That should be included with the liabilities.

By Mr. Bowman:

Q. Certainly, it should be included with the liabilities if there are any; it should be shown as a liability of the company in your statement if there are any cumulative dividends outstanding?—A. Just one moment, possibly I have it here: "Mr. Ernest A. Cousins arranged with nearly all the shareholders to issue, and he has issued to them, certain of his own shares of no par value stock of your company in lieu of their accrued dividends on the preferred stock prior to the 21st November, 1928.

Q. Yes, that is no par value stock was issued in payment of dividends?—A. Exactly, it was a stock dividend, as a matter of fact.

Q. It was a stock dividend?—A. Exactly.

Q. And in your balance sheet you carry this no par value stock at \$5?—A. Yes.

Q. It is of some value isn't it?—A. Yes.

Q. So, it is the same as paying a dividend?—A. Exactly, the same thing.

Q. So, your son was mistaken in telling us there was no dividend paid prior to 1930?—A. Well, he may have been, but you know a man can't carry all these things; and he was not aware of the fact that you wanted the set-up of this company. He merely came up here with the idea that you wanted to know the true inwardness of the milk business at the present time.

Q. Well, this "true inwardness" apparently is pretty hard to come at?—A. Well, I suppose, possibly.

Q. We are trying to get at it now?—A. Yes.

Q. Now, would you mind referring back again to the financial set-up of 1928?—A. Yes.

Q. Did you at that time, personally, get any cash out of the business?—A. I did not, not one cent.

Q. Did the old company, Ernest Cousins Limited?—A. They got no cash whatever.

Q. Just a moment, Ernest Cousins Limited prior to the issue of Supplementary Letters Patent in 1928, did they get any cash?—A. No cash.

Q. No cash?—A. No cash whatever.

Q. Did they get anything for goodwill in the old business?—A. Well, you mean to say—of course that word "goodwill" is a term that is not acceptable; you are quite aware of that fact.

Q. Well, I am using it in the accepted sense?—A. You mean, the value of the business that I turned in, is that it?

Q. Yes, what did you get out of that prior to 1928 for goodwill?—A. I have that here: "Net assets of the Ernest Cousins Limited, old company, purchased exclusive of goodwill". You have those figures haven't you?

Q. Yes, but exclusive of "goodwill"; I am talking about goodwill?—A. Well, again, that amount would be the difference between \$113,425 and \$203,100.

Q. Oh no, you gave us that figure before, you gave us that as the actual value of the business. I am asking about goodwill?—A. Well, that covers it.

Q. That covers it. How much of that was goodwill?—A. Well, as I said just now, we didn't take into consideration that particular "goodwill"; we simply took into consideration the value of the business that was turned in.

Q. Then, "goodwill" has never been taken into consideration in the reorganization of this company?—A. Never yet, simply the value of the business that was turned in.

Q. Now, you are quite certain of that Mr. Cousins?—A. Well, I am not certain of anything in this world except death and taxes.

Q. Surely you are certain of a statement you are giving to this committee?—A. I am giving you the figures as I have them here given by the auditor, I am not departing from them, anything I surmised might not be correct at all.

Q. I am not asking you what you surmised; I am asking you if "goodwill" was taken into consideration, and what value is obtained in the reorganization of this company?—A. None whatever, that is simply the value of the business.

Q. Nothing whatever?—A. You can even call that "goodwill", if you so desire.

By the Chairman:

Q. You said that was exclusive of "goodwill"?—A. There is no "goodwill" attached to it.

The CHAIRMAN: It is strange that that clause should be inserted there if there is no consideration received for it later.

By Mr. Bowman:

Q. I want to refer to the 1928 set-up. I have here before me a memorandum issued by your company on November 5, 1928, directed to the shareholders of Ernest Cousins Limited, and the last paragraph of that memorandum reads as follows: "Summing up, the result under the proposed changes will be that the shareholders for each share of preferred stock and the common stock", note that phrase, "for each share of preferred stock and common stock purchased by them will hold certificates for preferred stock equal at par to the actual amount paid in"?—A. Yes.

Q. "And will further hold three shares of common stock, namely the original share purchased and two additional shares." In addition to the increase in capital at preference shares, to which you referred a little while ago, the shareholders in the company got further bonuses at that time of 2 shares of the common stock?—A. Yes.

Q. Yes. Now, you have before you the statement of 1931; have you an extra copy of that?—A. I will be pleased to allow you to keep this one, Mr. Bowman.

Q. No, I want you to refer to it?—A. All right.

Q. Now, what is the financial set-up of the company, according to that statement, at the present time?—A. Now, you want me to go into all the figures.

Q. No, I want you to give me the stock that has been issued, and what is outstanding?—A. Now, what is it that you want, what covers that stock?

Q. What stock was issued in 1931. What have you got shown as outstanding there?—A. Capital stock authorized preferred 14,124, 7 per cent cumulative

redeemable shares having a par value of \$25 each; common 10,000 shares no par value, issued before 6,124 at \$25 each, common 10,000 shares no par value, issued at \$5 per share; making \$203,100.

Q. According to that statement, there has been issued 6,124 shares of preferred stock?—A. 6,124 shares of \$25 each.

Q. You see how impossible a position that put us in, in view of the statements which you have been giving us right along?—A. I am simply giving you the facts as I have them in the auditor's statement.

Q. A moment ago you said there were 14,124 preferred shares with a value of \$25 each issued. Now, you have just told us 6,124.—A. Supplementary letters patent were obtained. I will read over the same thing again. I cannot do anything better than that. You can twist those figures just as exactly as you desire, but the facts are right here.

Q. Pardon me; I am not twisting any figures. I am giving the figures exactly as you have quoted them, because I have made a note of them.—A. Exactly.

Q. You said a moment ago, and I think the committee will bear me out on it, that there were 14,124 shares issued?—A. Yes.

Q. Now you tell us according to the financial statement there is 6,124. Which is right, Mr. Cousins?—A. Well, you see—yes, but you understand this, 1,469 preferred shares were of a par value of \$100, and those shares are \$25—there are 6,124 shares of \$25 each.

Q. I am aware of that. We have had that a dozen times.—A. Yes. What more is it you want?

Q. I want to know which is right, how many preference shares are there outstanding, 14,124, as you told us a minute ago, or 6,124?—A. Here is the latest statement, 1931: issued preferred, 6,124 shares at \$25 each, and 10,000 shares of common, no par value, issued at \$5 per share. Those are the exact figures.

The CHAIRMAN: Mr. Bowman, if you will look at page 147—

Mr. BOWMAN: I have it marked here. I have that in my hand. 6,124 shares of no par value were issued. Mr. Chairman, I have been trying to get for the benefit of the committee, each step in the financial set-up of this company, so that we would know what was done. I am sorry to say that is a rather hopeless task with the witness.

The CHAIRMAN: I think, unless the answers are clearer, we will have to send an auditor in and find out what the real financial set-up of the company is.

The WITNESS: I would welcome your doing that, sir; very, very, pleased to have you send an auditor in.

The CHAIRMAN: You have not given satisfactory answers so far.

Mr. BOWMAN: Frankly, the witness has given so many contradictory statements that I have not the slightest idea what the financial set-up of the company is, and I don't know whether any member of the committee has.

The WITNESS: The financial set-up of the company, as I have just explained to you in 1931, which is the last audited account, and 1932 is a replica of it; you can't call that unsatisfactory. You have the figures right there, and that is right up to date. I don't see that you can call that unsatisfactory. You have the figures, and audited by one of the best auditors in the city of Montreal.

Mr. MULLINS: Who is the auditor?

By Mr. Bowman:

Q. You told us in 1914 your company was roughly valued at \$125,000?—
A. Exactly.

Q. Is it of no more value to-day?—A. Yes, it is worth half a million dollars to-day.

Q. Yes, it is worth half a million dollars to-day?—A. Yes.

Q. And at page 147 your son says it is worth \$153,100, and that is the statement you have just given us now. If you can explain it, we will be glad to have it explained.—A. I can't be responsible for what my son said.

Q. But your son has said exactly what you said a moment ago?—A. Exactly.

Q. That there is 6,124 shares of preferred stock?—A. Yes, I know.

Q. —outstanding?—A. But you said: Is your company worth less to-day, and I say no, it is worth half a million dollars to-day.

Q. Yes. In other words, those preference shares of the par value of \$25 are now worth about \$75 or \$100?—A. Absolutely, without the shadow of a doubt.

Q. Without the shadow of a doubt?—A. Yes.

Q. Then we can take it for granted?—A. Yes.

Q. —that the capital value of this company has increased until now it is worth half a million dollars?—A. Exactly.

Q. Yes?—A. As a matter of fact, might I interject that I would not sell my business for a half a million dollars to-day.

Q. All right; and still your financial set-up remains at \$153,100?—A. That may be so. That has nothing to do with it.

Q. What is the actual cash put into this business?—A. When do you mean? In 1888?

Q. No, in 1925, say?—A. \$113,000—that is the shareholders put in \$113,425.

Q. Yes; what would you roughly value your plant at to-day?—A. Well, I will give you the whole values here, if you so desire.

Q. Let us have them?—A. I have the whole thing here.

Q. Perhaps that will be the best way to get at it?—A. Yes. Do you want the fixed assets?

Q. Yes, give me the total?—A. The total—the book value with depreciation is \$186,604.70. The cost of that was \$282,415.24.

Q. What is that figure, that last figure?—A. \$282,415.24.

Q. What does that represent?—A. What does that represent?

Q. Yes, what is that? I didn't quite hear what you said that was.—A. That represents real estate, buildings, machinery, equipment, and delivery equipment.

Q. Yes; what are total assets of the company as from that memorandum which you have, which, Mr. Chairman, I would ask be placed in the record.—

A. The cost was \$282,415.24. Reserve for depreciation brings it down to \$186,604.70.

Q. Do you mean that is the total assets, the gross assets, \$186,000 odd?—A. Well, \$282,415.24—of course you understand that dairying machinery depreciates very rapidly. The lactic acid in milk just eats your machinery up, so that there is a wide spread in depreciation. We have put it down, the present book value, to \$186,604.70.

Q. This company which you say is worth over half a million dollars is set up at a book value of \$186,000 odd?—A. Exactly.

By the Chairman:

Q. That represents good will, the balance, I suppose?—A. You can put it what you like, Mr. Senn, but that is the real value of everything, without any good will or anything else.

By Mr. Bowman:

Q. Just a minute now, Mr. Cousins; you said a little while ago to this committee that good will was not valued by your company?—A. We have not—you see there there is no good will.

Q. Just a minute; is there any item in that statement with respect to good will?—A. No item whatever.

Q. Well, you have changed your system of accounting since 1927, have you?—A. Possibly, yes; we have got a better bookkeeper.

Q. I have before me a memorandum from your company, a financial statement showing 1926 and 1927, and in this statement the good will is shown as worth \$70,241.75?—A. Yes.

Q. Is that right?—A. Yes.

Q. That is correct?—A. Yes.

Q. What is the good will value of that at the present time?—A. We have no good will there.

Q. I see.—A. None whatever.

Q. Good will has been wiped off?—A. If you will kindly allow me to read this—

Q. Has good will been wiped off?—A. Exactly.

Q. It has?—A. Good will was never charged up on the book values.

Q. But it is shown?—A. It may have been in 1927, yes.

Q. Yes?—A. But we have altered.

Q. And in 1926?—A. Sure, possibly; in 1925 possibly.

Q. So that at some stage in the history of your business—A. We wiped it right off.

Q. —there has been good will?—A. Yes; possibly, yes.

Q. You said a little while ago that there is no value for good will?—A. There is none, none whatever. I am giving you the exact value of everything I have right here.

Mr. BOWMAN: Well, I ask that the statement be put on the record, Mr. Chairman.

The CHAIRMAN: Yes.

By the Chairman:

Q. You will submit that to the clerk?—A. Yes.

By Mr. Bowman:

Q. What was your real property valued at in 1931?—A. Real estate, \$29,999.50.

Q. Equipment and plant?—A. Buildings, \$88,490.32; machinery and equipment, \$107,978.37; delivery equipment, \$55,954.05.

Q. What does that make?—A. Making a total of \$282,415.24.

Q. What do you take off annually for depreciation?—A. We have taken—there is no depreciation on real estate.

Q. On machinery and equipment?—A. On buildings there is depreciation of \$12,871.79.

Q. What percentage is that?—A. That would be about eight per cent—no, seven per cent, a little over; seven and a fraction.

Q. What do you value your buildings at?—A. The buildings we valued at \$88,490.32.

Q. And depreciation on those buildings?—A. \$12,871.79.

Q. That is about 15 per cent, is it not?—A. No.

Q. It is not very far from it; I am just figuring roughly; it is about 14 per cent.

The CHAIRMAN: Yes, it is all of that.

By Mr. Bowman:

Q. Well, say 12 per cent. What is your machinery—A. It would not be 12 per cent.

Q. We have what your machinery was valued at?—A. Machinery and equipment, \$107,978.37.

Q. What depreciation do you take off that?—A. \$48,917.46.

Q. \$48,000?—A. \$48,917.46.

Q. One year?—A. In one year.

Q. Do you mean to say that you charge up depreciation of 50 per cent on your machinery and equipment?—A. The more depreciation you charge up, the better for everybody concerned.

Q. Particularly the company?—A. No, the company does not benefit anything.

Q. Now, have you any accounts set up for depreciation in your books?—A. Oh, yes.

Q. At 1931, what was standing to the credit of your depreciation account?—A. Now, I might say in 1931 we had all this property and everything connected with it appraised by an appraisal company in Montreal.

Q. And you can give us that, the result of the appraisal?—A. Here we have it; this is 1931—

Q. Well, please, Mr. Cousins, don't go off on a tangent.—A. I am not going off on a tangent.

Q. I am asking about depreciation; you have already given us the appraisal value?—A. I can tell you the depreciation right here, office furniture and fixtures less depreciation—

Q. What is your depreciation account; you have a depreciation account in your business?—A. Yes.

Q. How does it stand in 1931; what reserve have you set aside for depreciation?—A. \$87,507.44.

Q. \$87,000 odd, is that correct?—A. Yes.

Q. So that you have already set aside in your company an amount almost equal to 100 per cent of the value of your machinery and equipment?—A. It has depreciated to that extent.

Q. Yes?—A. And we have replaced it by new machinery continually.

Q. Quite true; and your plant is an up to date plant?—A. The most up to date in the city of Montreal.

Q. Yes; and having that most up to date plant in the city of Montreal you have an account setting aside a reserve equal to almost the value of that plant?—A. Well, it is written off as depreciation.

Q. All right. What other accounts have you set up? What other reserve have you set up in your business?—A. We have no other reserve.

Q. No reserve for bad debts?—A. Well, the bad debts are written off.

By the Chairman:

Q. Written off annually?—A. Profit and loss account, balance at the first of January, 1931, \$5,584.48, to which add the profit for the year ending 31st December, 1931, \$18,825.30.

By Mr. Bowman:

Q. You see, Mr. Cousins, you have not answered my question at all. I am asking you what reserve account have you set up for bad debts?—A. We have no reserve account. We simply wipe them off.

Q. What was your reserve for bad debts in 1931?—A. Bad and doubtful debts, \$19,401.39.

Q. All right; what do you do with that \$19,000?—A. It is lost.

Q. You say you wiped it off?—A. It is gone in bad debts.

Q. But that is your reserve for that year?—A. No, that is the bad and doubtful debts that are wiped off.

Q. How is it marked in your records; what does it show?—A. Bad and doubtful debts, \$19,401.29.

Q. And you told this committee that that is the actual amount——A. Lost.

Q. —lost?—A. Yes.

Q. In bad debts and doubtful accounts?—A. Exactly.

Q. All right; so that you don't set up any depreciation account for bad debts?—A. We don't. We simply set up a depreciation account for machinery, delivery equipment and building.

Q. And you have no other depreciation account?—A. We have none; none whatsoever.

Q. None whatsoever?—A. No.

Q. Have you any other reserve set up?—A. No, we have no other reserve whatever.

Q. Now, I want you to consider that question again, Mr. Cousins. You say you have no account set up for reserve?—A. Everything is wiped off.

Q. Well, what do you do with the money you have left over after the year is done?

Mr. PICKEL: Bank it.

The WITNESS: If there is any money left over, it goes out in dividends.

By Mr. Bowman:

Q. If there is any money left over, it goes out in dividends?—A. Yes.

Q. Every cent of it?—A. Every cent of it.

Q. So that at the end of each year you clean the slate and pay off all the money you have left?—A. Well, of course you appreciate this fact, that a man always has to carry a certain balance in the bank or he could not continue his business.

Q. That is the point.—A. We may have twenty, or thirty or forty thousand dollars in the bank continually. You must appreciate this fact, that we pay our farmers twice per month; we collect possibly once every three months. The farmer's account may run into—

Q. I think all the committee know that?—A. Well, you simply asked—

Q. No, I did not; I asked you what amount you set up as a reserve.—A. We don't set up any amount whatever for reserve.

Q. None?—A. None whatever.

Q. When the year's business is over, you pay up practically everything you get in, for dividends, and carry on?—A. Exactly; except what we have to carry forward in payment of our just debts, and looking after the farmer, which may amount to possibly about \$50,000.

Q. May I ask you if you have made a mistake in giving this answer to the committee, will you notify the Chairman to that effect, and give him the amount that actually is set up in your reserve account?—A. Most decidedly I will.

Q. Because I cannot understand an up to date company like yours apparently is, not carrying a certain amount of reserve?—A. I will tell you, as I said before, we possibly have \$50,000 in the bank; you can't call that reserve because it is there to take care of our debts.

Q. The dividends that are shown paid—

By the Chairman:

Q. Just a minute; is this account in the bank your regular business account or what is it?—A. It is a regular business account.

Q. It is not an account for reserve or depreciation?—A. No, it is a regular business account.

Q. All right.

By Mr. Bowman:

Q. At the top of page 142, if you would refer to that for a moment, there is a memo given there by your son when he was before the committee, as to the disposition of profits by way of dividend. Will you explain that statement a little to us? In the first place, there is noted on the side 75 shareholders.—A. What do you desire to know?

Q. Seventy-five shareholders; is that the total number of shareholders in the company?—A. Evidently, or it would not be so entered.

Q. Well, it does not show that; that does not necessarily follow because your son put down 75 shareholders?—A. I know, but there may be seventy-six or there be seventy-eight, I am not quite sure.

Q. No, but that is the approximate number of shareholders?—A. It is the approximate number of shareholders.

Q. And I would say, roughly speaking, I suppose you and your family control the company pretty well?—A. Yes, I control it myself.

Q. You control it yourself?—A. Yes.

Q. The number of outside shareholders is small?—A. Exactly.

Q. Yes; now, the amount there shown as of April 15, 1931, \$2,678.89, and a similar amount is shown each four months period thereafter?—A. Yes.

Q. That is seven per cent on preference stock?—A. Exactly.

Q. And those amounts have been paid in 1931 and 1932, in addition to the increased capitalization about which you have given us.—A. The stock dividend.

Q. In addition to the stock dividend?—A. Exactly.

Q. And when your son said that 1921 to 1930 dividends were nil, he was a little in error there?—A. No; he may have been right; I would not like to say.

Q. You have just told us he was wrong, because you say there was a stock dividend at that time.—A. Well, he hadn't taken that into consideration.

Q. Well, he may be more or less in error?—A. Possibly, yes; he is a very young man, and liable to make error.

Q. Oh, well, we are all liable to do that.

Mr. MULLINS: He draws \$5,000 a year, he says.

The WITNESS: And he is worth it; twice as much.

By Mr. Bowman:

Q. 1921 to 1930; what stock dividends were issued say in 1930; can you give us a record of that?—A. I already gave you that amount. There is only this one issued in 1928 when the company was reorganized.

Q. When two shares of common stock were given as a bonus?—A. Exactly.

Q. Yes; and by the way, Mr. Cousins, what do you figure the value of this common stock is at the present time?—A. Well, you quite appreciate the fact that I hold myself all the common stock; and while the business or my own particular business, as I just told you, is worth half a million dollars, we have never paid dividends on the common stock, which is detrimental to myself, because unless you can earn dividends on your common stock, the holders get nothing, and I hold the major portion of it, so I get no dividends; but it is really worth at the present time possibly \$20 a share.

Q. \$20 a share?—A. Yes.

Q. Let us consider that for a moment; you have outstanding 6,124 shares of preference stock valued at \$153,100?—A. Exactly.

Q. And you yourself at a conservative valuation value the company at half a million dollars?—A. Exactly.

Q. In other words, there is a difference of approximately \$350,000?—A. Surely.

Q. And that is the value of the common stock that has been issued, is it not?—A. You can put it in that light, if you so desire.

Q. Well, how would you put it?—A. I would say the same thing.

Q. You would say the same thing?—A. Yes.

Q. Taking it at a very rough estimate, Mr. Cousins, the value of your common stock at the present time, taking the conservative estimate which you have placed on the company, would not be \$20, but would be \$60 a share.—A. Well, I would not say it was worth that.

Q. Well, I am just taking your figures; \$350,000 and dividing it by 6,124; just let me see—probably I am wrong in my figuring. You have taken then 10,000 shares, is it?—A. Yes, it is 10,000 shares.

Q. I am wrong; I took 6,000. There would be a difference in the figuring; that would be \$35 a share?—A. Yes.

Q. Yes; in other words, the common stock to-day at that valuation is worth more than the preferred stock?—A. Possibly.

Q. Yes.—A. But you must appreciate this fact also, it is not what it is worth; it is what you can get for it.

Q. Let me go back now, and let me go back to 1928; when you made the reorganization of the company in 1928 and you gave a bonus of two shares of common stock, you really gave to your shareholders something that was worth something?—A. Most decidedly.

Q. So that when you say between 1921 and 1931 you did not pay any dividends, that is just a joke, is it not?—A. Well, you can take it as a joke, if you so desire.

Q. Because in 1928, when these two shares of common stock were issued to every one who had one share, you were issuing something that was worth between \$50 and \$60 a share at that time, allowing for reasonable increase in value at the present moment?—A. Well, I would not say \$60 or \$50, but I say it was—

Q. Two shares I am talking about.—A. Yes. It was worth all that was coming to them, including myself.

Q. Yes; and of those 10,000 shares, you say you hold the greater proportion?—A. Yes, I hold the major portion.

Q. Let us see—I don't want to pry into your private business at all, but would you give me a rough estimate of what portion of those ten thousand shares belong to you?—A. I could not tell you that right off.

Q. No idea?—A. No, I have not the faintest idea.

Q. Now, Mr. Cousins, you have not the faintest idea?—A. I have not the faintest idea.

Q. You mean you are the majority shareholder of this company and have not the slightest idea?—A. Well—

Q. —of what portion of this 10,000 shares belong to you?—A. Well, possibly I have 75 per cent of them.

Q. 75 per cent; let us take it on that basis?—A. Mind, I am not giving you that as exact figures, but tentative figures.

Q. Yes; you have 75 per cent; or in other words you have approximately 7,500 shares?—A. Somewhere in that neighbourhood.

Q. Yes. Now for one of those shares you had in the first instance, you got a bonus of two more in 1928?—A. Exactly.

Q. In other words, you got a bonus of 50,000 shares?—A. Possibly—no, no.

Q. 500,000 shares?—A. No.

Q. Well, all right.—A. Oh, no, no—5,000.

Q. 5,000?—A. 5,000 shares.

Q. You got a bonus of 5,000 shares?—A. Possibly, yes. Possibly I didn't take them.

Q. But your by-law shows you did. Well, they were issued to everybody. I read you the statement.—A. That is right.

Q. All right; in other words, you got a bonus of 5,000 shares of the no-par value common stock of this company which to-day you figure is worth according to your estimate, \$20, but according to what I have figured out, is \$35?—A. Yes.

Q. In other words, you got a bonus of \$175,000?—A. Well, provided I did—

Q. I am taking your own figures.—A. I didn't say I got that bonus and I don't say it yet.

Q. Did you?—A. Well, I will tell you what I will do—

Q. Never mind what you will do; I am asking you what you did, not what you will do.—A. To the Chairman I will send to-morrow the exact number of common shares that I own in my own name.

Q. We don't want that.—A. Oh, yes, that is what you were trying to find out.

Q. You said approximately 7,500 shares?—A. I said approximately about 70 per cent of the common stock.

The CHAIRMAN: Seventy-five.

By Mr. Bowman:

Q. 75 per cent you said?—A. Well, possibly 75.

Q. And as I point out, 5,000 of those shares came to you in 1928 on the reorganization as a bonus?—A. You said so.

Q. On the same basis as all the shareholders were given?—A. Yes.

Q. In other words, you took unto yourself in 1928 something that was worth \$175,000, according to your calculations?—A. According to your statement. I didn't say so.

Q. All right. I am just taking your figures.—A. That stock may still be in the treasury.

The CHAIRMAN: Well, Mr. Cousins—

Mr. BOWMAN: You ought to know.

The WITNESS: Mr. Senn, I will send you up to-morrow the exact number of those common shares held by myself. I have not that here.

The CHAIRMAN: I want the number.

By Mr. Bowman:

Q. And to the same extent every other shareholder shared according to the number of common shares and preferred shares he had?—A. Yes, exactly.

Q. Just on the same basis as you did?—A. Surely.

Q. So that it really would pay a pretty substantial dividend in 1928?—A. They should be satisfied.

Q. Yes; in other words, out of this company which you say is worth half a million dollars, you personally in 1928 by stock dividend received almost 33½ per cent on the value of your \$175,000, is that correct?—A. I didn't say so.

Q. Well, is it correct?—A. I will send you the exact figures to-morrow.

Q. Am I approximately right there?—A. Yes, possibly you are.

Q. All right.

The CHAIRMAN: Are there any other questions?

By Mr. Tummmon:

Q. Mr. Cousins, when your son was here the other day, he promised to get certain information that I asked him for at that time, which he said he

had not. Can you give to-day the number of pounds of fluid milk that were purchased by your company in 1932?—A. Milk purchased in 1931—milk purchased in 1932, 1,894,000 gallons.

Q. 1,894,000 gallons?—A. Yes.

Q. You have not it in pounds?—A. Oh well, you can multiply that by 10 if you so desire.

Q. Yes; there are 10 pounds of milk to a gallon, are there?—A. 10 pounds, 3½ ounces.

Mr. MULLINS: Approximately 10 pounds.

By Mr. Tummon:

Q. How is that milk purchased? Was it purchased by the 100 pounds?—A. Yes, it is all purchased by weight.

Q. A certain amount of it was purchased at the association price, I presume?—A. The average association price \$1.46 per hundred.

Q. For 1932?—A. For 1932.

Q. \$1.46?—A. That was the average association price.

Q. That you paid?—A. No; the average price paid by us was \$1.30.

Q. That is what I want. \$1.30 average per hundred pounds?—A. Exactly.

Q. That was less transportation charges to the producer?—A. No; we have nothing to do with the transportation charges whatever; that is up to the farmer.

Q. Yes, I know.—A. Some of them drive it in, and there is practically no transportation charge except for your truck.

Q. Well, that was the price to the producer, and the producer looked after the transportation charges?—A. Exactly.

Q. What per cent of your total milk purchases in the year 1932 was purchased at surplus prices?—A. What percentage?

Q. What percentage of your total purchases of fluid milk?—A. Now, in 1932 they were—I have not got the exact percentage here, but you can work that out if you so desire. The average association price for the year, \$1.46 per hundred pounds and the price paid by us for all milk received for the year, \$1.30, surplus for the year, 23.2 per cent.

Q. How are we going to work out the percentage of your purchases at a certain price by that?—A. Well, there you have it. The price paid by us for all milk received in the year averaged \$1.30.

Q. Just a minute, let us get clear on that; in answer to my question of what percentage was paid for at association prices you said \$1.30?—A. That included the surplus milk.

Q. That included the surplus milk?—A. Yes; that was the price paid by us including the association price and the price of the surplus milk.

Q. Oh, I see. I misunderstood you then. I thought that was what was paid for other than surplus milk?—A. No.

Q. You have not there what percentage was purchased at surplus prices?—A. Yes, the surplus was 23.2 per cent.

Q. The total purchased at surplus prices?—A. The total purchased for 1932. The surplus of the whole was 23.2 per cent; that is not quite a quarter.

Q. When your son was here the other day, Mr. Cousins, we showed him a statement from your company where the total amount of surplus milk paid for in this statement was over fifty per cent?—A. No.

Q. We did not.—A. I do not know what he showed you, but those are the figures from the auditor.

Q. I do not know whether the secretary has that statement or not, have you Mr. Fraser?—A. I have a copy of it here.

Mr. DONNELLY: At page 144.

The WITNESS: Yes; he says here the quantity was approximately 50-50, but he was wrong. The percentage has been worked out since, so that we would be sure of our figures.

By Mr. Tummon:

Q. Well, Mr. Cousins, I hold in my hand a statement that I showed him, and it runs from 1931 to 1932. Have you the amount, or the percentage of the whole of the surplus milk purchased in 1931?—A. 29·8 per cent.

Q. In 1931?—A. In 1931 the surplus for that year was 29·8 per cent.

Q. Not for the year 1929-30?—A. It is 1931. The average association price for the year; that is, the whole of the year, was \$1.90 per hundred pounds. The price paid by us for all milk received by us in that year was \$1.50, and the surplus for the year 29·8.

Q. That is the surplus, the percentage of the surplus in relation to the total amount of fluid milk that you purchased in that year.—A. In 1931, yes.

Q. Well, I hold in my hand here a statement, sold to the Ernest Cousins Limited, Montreal, Quebec, from evidently one of the producers and in the month of March of that year he tells us—

The CHAIRMAN: What year?

Mr. TUMMON: 1931.

By Mr. Tummon:

Q. He tells us that he delivered 6,760 pounds of milk and of that 3,380 pounds were paid for at association prices, and exactly 3,380 pounds were paid for at surplus prices.—A. Yes; well possibly that farmer only had milk as many other farmers do have it, when we do not want it. At the present day I may tell you, last November, when milk was very scarce, we asked producers to produce more. That was done. To-day they are producing almost twice as much. I stopped last week 200 cans per day, and I do not know what the farmers will do with it, and we separated yesterday 280 cans of milk. Our business has increased possibly 20 per cent since 1931.

Q. Then, your evidence is that in cases where this appears, they are exceptional cases in regard to surplus milk.—A. There are the facts. Take the average, the surplus was 29·8 per cent

By Mr. Donnelly:

Q. What year?—A. In 1931. That was the question the gentleman asked me.

By Mr. Tummon:

Q. Now, will you give us again the percentage of surplus milk in 1932?—A. It amounted to 23·2 per cent.

Q. Now, how did you dispose of the association price milk?—A. It was sold in the usual manner.

Q. Fluid milk distribution?—A. Fluid milk. About 80 per cent of it is sold at wholesale, and about 20 per cent is sold retail.

Q. Can you give us the average price per quart in 1932?—A. Yes, I have that.

Q. Of milk sold?—A. Thirty-nine cents—that is in 1931, do you want 1931?

Q. Give us 1932.—A. All right. Purchased 1,894,000 gallons; milk sold, average retail price, 40 cents per gallon, average wholesale price 24½ cents.

Q. How much did you distribute per quart, the average selling price per quart in 1932?—A. The total sales, wholesale, 89·7, and retail, 10·3.

Q. That is not answering my question.—A. I cannot give you any other.

Q. Your son promised to have that information when he came back.—

A. You want the number of bottles?

Q. I want the average selling price per quart to the consumer for the year

1932.—A. I have that here somewhere. No, I have not the average price.

Q. You have not the average selling price?—A. You mean the retail?

Q. Yes.—A. Or the wholesale?

Q. No, the retail, the average selling price per quart at which you disposed of the fluid milk that was bought at association prices.—A. No, I have not the average price sold to the retailer.

Q. Can you tell the committee what the average spread was between your cost price per quart and your selling price per quart.—A. In 1931 it was 47 per cent.

Q. Per quart, I mean.—A. Yes, it would be about—

The CHAIRMAN: We want you to be exact.

The WITNESS: Well, it would be .47, not quite half a cent.

By the Chairman:

Q. .47?—A. Yes, not quite half a cent.

By Mr. Tummon:

Q. What is that?—A. The net profit. You are trying to get net profit?

Q. No, I want the spread between the cost price per quart and the average selling price per quart.—A. The spread is 47 per cent.

Q. How much?—A. 47 per cent.

Q. You have not got it per quart?—A. I have not got it per quart; it amounts to a little less than half a cent.

Q. That is your profit; that is not the spread.—A. Wait a moment.

The CHAIRMAN: While he is looking for that, gentlemen, I should like to ask Mr. Stirling to take the chair, as I have to go right away.

(Mr. Stirling takes the Chair.)

Mr. TUMMON: I understand Mr. Senn has just received word that his wife's brother has died. We are very sorry that Mr. Senn has to go away under those conditions.

The WITNESS: The spread per quart is what you want?

By Mr. Tummon:

Q. Yes.—A. It would be in the neighbourhood of four cents.

Q. There is no use guessing. What we want are the actual figures which your son promised. He said he would have the information.—A. Well, he did not give me that information or the bookkeeper did not.

Q. If you have not got that information, I am no further ahead with this question that I was when your son was here before. What did you do with the surplus milk, Mr. Cousins?—A. Surplus milk?

Q. Yes.—A. Some of it was separated; the major portion of it was separated, and some of it was used to meet poor competition, low priced competition.

Q. Some of it went into fluid milk?—A. Some of it went into fluid milk.

Q. Some of it purchased at surplus prices went into fluid milk and sold at the usual prices?—A. No.

Q. It went into the price that made your average price per quart, then?—A. Yes, exactly.

Q. You cannot give us, I presume, the average price in regard to that either?—A. You mean the average selling price?

Q. Yes. You said that you separated considerable of it.—A. Yes.

Q. And sold it as what?—A. Cream.

Q. Sweet cream?—A. Yes.

Q. Did you buy any other sweet cream?—A. Yes.

Q. Have you the quantity of sweet cream that you bought?—A. Yes—no I have not the amount of cream purchased.

Q. You have not the amount of cream purchased at all?—A. No.

Q. You have not the amount of the number of pounds of sweet cream purchased?—A. No, I have not.

Q. Or the pounds of butter fat?—A. No.

Q. I am no further ahead, Mr. Chairman, than I was before. I want that information though.—A. One moment, Mr. Chairman. The price paid—we do not compel the farmer to send his surplus milk to us. As a matter of fact, we often stop it, as I said just now; we stopped 200 cans last week, and we separated yesterday 250 cans. Now, I want to show you the disparity between what the farmer does with his milk, if he takes the milk to the butter factory under present existing prices, 100 pounds of butter contains, as you know, 84 pounds of butter fat and 10 per cent of moisture; but also contained in that 84 pounds of butter fat is from 3.36 to 4 pounds of salt; per hundred pounds of butter we pay the farmer \$1.01 as against milk sent to the factory of 63 cents, and you add 25 cents for carrying charges and that gives him 88 cents, and we pay him \$1.01. We do not compel the farmer to send his surplus milk to us, but he will insist in sending it, because he gets a better price for it.

Mr. TUMMON: I want that information, Mr. Chairman, and I am asking for it; they promised to get it.

By Mr. Pickel:

Q. Mr. Cousins, in your figures for depreciation, I think you acknowledged some \$80,000?—A. Yes, I have that here.

Q. Well now, in the statement that your son made the other day, we find as depreciation for machinery, \$15,000, delivery equipment, \$7,000, buildings, \$2,000. How do you reconcile those two statements?—A. Well, he possibly did not have the figures here. What year was that for?

Q. 1932.—A. Well, I have the depreciation here for 1931 and 1932—oh no, I have not got that.

Q. Why is that discrepancy there? Do you not think \$80,000 is pretty high depreciation?—A. No, not on dairy machinery. For instance—

Q. You do not have to replace every year or every two years?—A. Oh, yes, a lot of it you do. It becomes absolute at once. The lactic acid in milk simply tears it all to pieces.

Q. How much did you distribute in 1932?—A. I have not those figures here.

Q. You have not?—A. No, I have not the amount of cream.

Q. You will give them to the Chairman?—A. Yes, I will send them up with the other information required.

Q. Can you tell us what percentage of your surplus milk you separate?—A. Yes, separate possibly 70 per cent of it.

Q. Seventy per cent?—A. Yes.

Q. Mr. Cousins, how do you sell your cream?—A. By its butter fat content.

Q. In what grades do you sell?—A. We sell it in 15, 20, 25, 35.

Q. What are the prices?—A. What are the prices?

Q. Yes.—A. It runs about 6 cents a point.

Q. You sell in half pints?—A. Yes.

Q. For 15 per cent butter fat, you get how much?—A. That would be 90 cents a gallon.

By Mr. Moore:

Q. How much for a half pint?—A. Oh, the same thing, it all depends.

By Mr. Pickel:

Q. For the 20 per cent?—A. The same thing applies. We charge—

Q. How much do you get for the half pint of 15 per cent cream?—A. How much do we get for it?

Q. Yes.—A. It all depends. In the winter time and the summer time it is in a different category.

Q. You are evading the question.—A. No, I am not.

Q. How much do you sell 15 for in half pint sizes?—A. Fifteen cents.

Q. Twenty per cent cream?—A. Twenty cents.

Q. Twenty-five per cent?—A. Twenty-five cents.

Q. Thirty-five?—A. Thirty-five per cent?

Q. Yes.—A. Thirty-five per cent runs about 35 cents.

Q. For a half pint?—A. No, for a pint.

Q. Give us the half pint.—A. Is it a half pint you want?

Q. Yes, that is what I thought you were giving. Were those figures for a half pint or a pint?—A. I don't know just exactly, what they are for.

Q. How much did you sell your 15 per cent cream for?—A. It depends on the time. If it was 90 cents a gallon, and eight pints to a gallon—

Q. How much do you sell it for? How much do you sell it for to your customers? How much do you ask for a pint of 15 per cent cream?—A. Wholesale or retail?

Q. The average.—A. It is 12½ cents.

Q. Twenty per cent?—A. That would be about 20 cents.

Q. Then, those are the figures you gave me before, and they were for pints, instead of half pints?—A. Exactly.

Q. Now, is it not a fact, Mr. Cousins, that there is a good deal more money in the cream trade than in the milk trade?—A. Oh yes, because there is a greater loss in it.

Q. And you have purchased 70 per cent of surplus milk?—A. Exactly.

Q. And you are selling it for sweet cream?—A. Yes, that is true, but you see the skim milk goes down the drain.

Q. It is all lost?—A. It is all lost, unfortunately.

Q. All that skim milk is lost?—A. Unfortunately, yes.

AN HON. MEMBER: Don't you send it back to the farmer to feed hogs? It is not all lost.—A. If the farmer likes to pay costs, we would be very pleased to send it back.

By Mr. Pickel:

Q. Now, as regards dividends, I have a letter here that I would like to read to you from one of your stockholders:

Incidentally, it may help the poor fish who bought the Ernest Cousins Limited stock, six years ago and have only received two quarterly dividends.

In 1931, I wrote Mr. Cousins and received no answer. Then I asked the Montreal Star for information regarding Mr. Cousins milk business. Mr. Whitrod interviewed Mr. Cousins after which Mr. Cousins wrote me they would commence paying dividends January 14, 1932, which he did, also on April 14, 1932, seven per cent on \$1,250. That was our first and last.

I again wrote Mr. Cousins on December, 1932, no reply. Again I wrote the Montreal Star after a month; Mr. Whitrod wrote me he had not been able to get in touch with Mr. Cousins, but would as soon as possible.

If Mr. Cousins has paid other dividends, they must be more dead stock on paper, certainly not cash.

What have you to say to that, Mr. Cousins?—A. I don't know in the first instance, who wrote the letter—

Q. I do not know that it would do any harm, but I am not going to tell you the name.—A. It does not make any difference, but if any letters come into our office—

Q. I do not think he is a milk shipper, I do not know, but he does not say so.—A. I have not the faintest idea, but here is a report of the dividends paid, apart from the stock dividends. In April we paid \$2,678.89; in July we paid \$2,678.89; in October we paid \$2,678; in January, 1932, we paid the same, and so forth.

Q. Mr. Cousins.—A. If the lady did not get her dividends, there must be something wrong.

Q. —it is Mrs. Ellen Payne Boyd of 36 City Ave., Granby.—A. Yes.

Q. How is it she did not get her dividends?—A. I have not the faintest idea, but I will take the matter up. If the dividends were paid at that time, she received or—this is George Payne's daughter, is it?

Mr. TETREAULT: She is his sister. Her cheque was mislaid somewhere.

The WITNESS: I wonder if you will be kind enough to let me have that letter.

Hon. MEMBERS: No, no.

The WITNESS: There is no animus against it. If the lady has not received her dividends it has gone astray, because dividend cheques have gone out.

By Mr. Bowman:

Q. Give him the address.—A. I know them well; I know Colonel Payne and his sister well.

By Mr. Pickel:

Q. Who are the directors of your company?—A. Reynolds.

Q. Reynolds from where?—A. From Granby, Andy Corder, N. Cohen, Fred Cleary—I am not quite sure—of course, myself and my son are on the board, and I do not know what others there are.

Q. How often do you meet?—A. At the call of the Chairman.

Q. How often does the Chairman call them?—A. About once every three months.

Q. Do they attend every three months?—A. Some of them do, some of them don't.

Q. You own how much of the stock?—A. You mean the company's stock?

Q. The Ernest Cousins Company.—A. We have gone through that, that gentleman has those figures.

Q. You can just repeat it.—A. About 70 per cent of the company's stock.

Q. What percentage of the preferred?—A. I have not that figure in my mind, but I will let you have it.

Q. Send them up?—A. Yes.

Q. Mr. Cousins, is there any reason why the farmer should be penalized for surplus milk, the surplus milk you get when you get that milk and sell it for sweet cream, getting a good deal higher percentage on the transaction than you would on whole milk?—A. On the basis of which?

Q. Or is it just a means of getting something for nothing?—A. No, we ask nothing from the farmer. He has the privilege of sending his milk to the butter factory, where he gets far less.

Q. That does not get us anywhere. I have two or three milk returns here, and I notice in January that the.—A. Yes.

Q. Do you regulate your test by the price you pay?—A. Yes.

Q. You regulate your test or percentage.—A. No, we buy all milk at 3.5.

Q. That is the standard?—A. Yes, and I might raise a very moot point here. I have here a compendium of all the tests for a year, and I might say here that most of our milk is Holstein milk, which I think is a more wholesome milk than that derived from any other cattle; it is all right to the point, and this milk averages 3.4, 3.4, 3.3, 3.3, 3.4, 3.3, 3.3 3.3, 3.2, 3.4, 3.2, 3.4, 3.4, 3.4, 3.6, 4., 3.5, and so right the way through the dates. Now, the milk which we put out, I have here certificates from Dr. Donald, containing bacteria counts, and butter fat—

Q. All right, Mr. Cousins.—A. The milk we put out runs 3.8 and as high as 4, 3.6, 3.6, 3.8, 3.8, 3.7, 3.8.

Q. Excuse me, this is the milk you distributed?—A. Yes, that is the milk we distributed.

Q. The milk you received does not average 3.5?—A. No, some of it, no.

Q. How do you increase it, then?—A. Why, we simply add cream to make good milk out of it.

By Mr. Spotton:

Q. Mr. Chairman, I would suggest, as we have another witness here, and since the memory of the present witness is so poor, and since he has not a decided definite statement to make from his own knowledge, but falls back on the auditor's report, we are getting nowhere, we are wasting time. I would suggest that the committee relieve this witness for the present, and the sub-committee use its discretion in recalling him again, and bringing his auditor with him. The son was too young, and I am afraid the father is too old; his memory is failing.—A. Possibly, yes.

Q. You may be a milk baron in Montreal, but you are a common, ordinary private citizen as a witness before this committee.—A. Yes, sir.

Q. You have not helped your case this morning.—A. It is perfectly all right.

Q. I would move, Mr. Chairman, that you relieve this witness temporarily, and the sub-committee use its discretion about recalling him, and bringing somebody with him who knows something, and who is not a sidestepper, and that we go on with the next witness.

Mr. BERTRAND: I second that motion, Mr. Chairman.

The ACTING CHAIRMAN: It is in the hands of the committee. I should not like to prevent any members of the committee from asking any questions they desire to ask now.

Mr. DUPUIS: I should like to ask a question.

The ACTING CHAIRMAN: Mr. Porteous was on his feet first. Dr. Pickel, have you finished?

Mr. PICKEL: Yes, I have finished for the time being, seeing he is to be recalled.

Mr. TUMMON: I just want to make a statement before this witness retires. This witness was asked for the information that I have asked for, and I do not propose, as far as I am concerned, to release the witnesses of this company until I get that information.

The WITNESS: That is perfectly all right, sir.

By Mr. Porteous:

Q. I should like to ask a question or two before the witness is dismissed, with regard to surplus milk. You made a statement that you give the farmer the preference of keeping his surplus, if he so desires?—A. Most decidedly.

Q. Have you any patrons who do that?—A. Well, we compel them to do that, sometimes.

Q. Of their own free will and accord, have you any patrons?—A. Of their own free will and accord, that is their privilege, and it is a different proposition.

Q. Now, there is one other thing I would like to ask you—A. As I told you, last week we stopped 200 cans to the detriment of the farmer.

Q. In 1931 you said you had a surplus of twenty-nine point something per cent?—A. Exactly.

Q. And then there was a statement presented here that showed that you paid to one of your patrons a surplus of about 50 per cent?—A. Possibly.

Q. Can you account for that in any way?—A. Very easily. Possibly that man had hardly any milk during the winter season or when we needed it most, and when the flood came his cows had calved, and he simply shipped that milk in—simply shipped it in and got a better price than shipping it to the butter factories.

Q. How did you allot to the patron the percentage of surplus?—A. Just on the amount he shipped in the hard time.

Q. Over a period of shortage?—A. Over a period of shortage, yes.

Q. What is that period?—A. Well, it extends possibly from the 1st of November until the end of February.

Q. Yet, it is possible that the patron may have a percentage—one patron may have had a percentage of over 75 per cent in surplus milk?—A. Yes. We have some men who practically dry up during the winter months and all their cows calve in the spring and they ship all their milk in.

Q. And you have others that during that short period will put up a constant supply, and they will not have any surplus milk?—A. They will have hardly any.

By Mr. Dupuis:

Q. Mr. Cousins, you said that your company is losing on separate milk which is made into cream or butter. Well, how much milk did you separate during the last six months, month by month, could you give that?—A. No, I have not got those figures.

Q. Say since September last?—A. I could not give you those figures. Yesterday we separated 250 cans, 2,500 gallons.

Q. Yesterday?—A. Yes.

Q. That is one day alone?—A. This is the time when the flooding begins.

Q. I want to know the facts since September?—A. I could not give you those figures because I have not got them.

Q. When you go back, when you are called again with your accountant, with your books, could you provide the committee with all those details?—A. Possibly, yes.

Q. Why do you say possibly?—A. Because—

Q. Why don't you say positively?—A. No. I would not say positively to anything.

Q. You do not put that in your books?—A. Oh, yes, the amount of surplus is all in our books—the amount that is separated. Well, I presume it is. I do not keep track of that myself.

Q. I did not say yourself, but your company does?—A. Possibly, yes.

Q. Well, somebody in your office does that work?—A. Oh, yes.

Q. Well, I want to know this month by month since September, 1932—I want to know how much surplus milk your company had and how much milk you did separate and what you did with it?—A. Well, I have told you the amount of surplus that we had. I have given you those figures.

Q. How much milk did you separate; would you be able to give us that?—A. I will try to be able to let you have those figures.

By Mr. Brown:

Q. The questions I am going to ask may seem somewhat trivial compared with the big matter that Mr. Bowman was dealing with, and yet they refer to the spread in a good many items that go to make up the spread between the price you pay and the price at which you sell to the consumer. Now, when your son was here, for instance, he gave us one item in your delivery expenses, referring to the year 1932. He told us that costs for wagons and sleighs were \$2,835.76. Now, that was given us as delivery expenses on an average of 36 routs for 11 trucks. Is that under that heading?—A. Yes.

Q. Then, further on we were given depreciation on delivery equipment \$7,297.61. Now, is it not possible that there is some over-lapping in depreciation for delivery equipment?—A. No, that is kept separate and distinct.

Q. Yes, but do you mean to say then that your replacement charges for waggons and sleighs over the year is \$3,000?—A. Oh, yes, easily.

Q. And there is no further account taken of these items in your delivery equipment?—A. Just exactly how do you mean?

Q. You see you have two items that we might think as possibly over-lapping—waggon and sleighs \$2,839.76?—A. Yes.

Q. Now, that is an annual charge?—A. Yes.

Q. Then you have depreciation on delivery equipment \$7,297.61?—A. Yes.

Q. You are quite satisfied that there is no over-lapping between those two items?—A. I am fairly well satisfied, yes.

Q. We would like to be sure. Now, there is another item which appears to be small but yet it may add considerably to the making up of this spread. For instance, you have shoeing of horses \$3,065.32?—A. Yes.

Q. Your son told us when we asked him how many horses you kept—he said 45 or 50?—A. Yes.

Q. Taking it at 50 that would be \$60 per year for the shoeing of a horse?—A. That is very reasonable.

Q. It may be, only those of us who have had some experience in having horses shod for other purposes are not so sure it is perfectly reasonable. How often have you to have your horses shod every year?—A. In the winter time, the caulks have to be removed almost every day.

Q. Well, it may be alright. I wanted to know?—A. I am explaining the circumstances. We keep our own blacksmith to shoe our own horses and he has to go through these horses every day, especially when the roads are slippery and put caulks into those shoes.

Q. You use the shoes that have removable caulks?—A. Exactly.

Q. It may be reasonable; but it seems to me on the face of it—A. No, that is very reasonable. Now, the man in the city—the blacksmith charges you \$3 to shoe a horse, and you may have to get a horse shod two or three times in a month—more often than that sometimes. You know that the roads in the city are totally different from the roads in the country.

The ACTING CHAIRMAN: I think, gentlemen, that we should take the opinion of the committee with regard to the motion that is before us. Mr. Spotton has moved that the witness be released for the present and that the sub-committee consider whether it is desirable to recall him accompanied by his accountant. Is the committee ready for the question?

Mr. CARMICHAEL: The idea back of that was to hear the next witness if we have time.

The ACTING CHAIRMAN: We should remember that we have permission to sit while the house is in session. We can meet again in order to hear the other witness. What is your wish in connection with Mr. Spotton's motion; are you favourable?

Motion carried.

Mr. Cousins, we are finished with you for to-day.

Mr. BOWMAN: There must be somebody in your company Mr. Cousins, who can give us the financial set-up.

The WITNESS: I will fetch the auditor up next time.

The ACTING CHAIRMAN: The next witness is Mr. Monette, who gave us evidence before; do you wish to proceed now. Mr. Monette has already been sworn.

Mr. F. MONETTE, recalled.

By Mr. Bowman:

Q. Mr. Monette, there is one point I would like to cover a moment or two in your previous evidence. Mr. Chairman, would you mind giving Mr. Monette a copy of the evidence?—A. I have it.

Q. Will you kindly refer to page 157?—A. Yes, sir.

Q. At the bottom of page 157, Mr. Tummon asked you these questions and these answers were given by you:—

By Mr. Tummon:

Q. Do I understand that you pay for your milk really at a flat price?—A. Flat price, sir.

Q. In January of 1932, what did you say that was?—A. We paid in January, \$2.08.

Q. 1932?—A. Pardon me, 1932 we paid \$1.46.

Q. Was that the price to all of your producers?—A. To every one of our shippers.

Q. You paid that to every one of your shippers?—A. Every one of our shippers, no surplus, no skimming.

Q. Now Mr. Monette, what price is given there?—A. \$1.40 at Howick on the first of January.

Q. These figures differ from yours?—A. I think, if you take more time, I can send you a list of every shipper and the price they got.

And then at the bottom of page 158 you are asked this question by Mr. Dupuis.

By Mr. Dupuis:

Q. Would you tell me what you paid?—A. The average price was \$1.05.

Q. To Howick people?—A. Mr. Elliott over here in May had one dollar instead of \$1.05. That means very likely that somebody had \$1.10, generally \$1.10.

Now, you remember those questions and answers, do you, Mr. Monette?—A. Fairly well, sir.

Q. And you remember a particular account that was referred to at that time?—A. Yes, sir.

Q. The Elliott account?—A. Yes.

Q. And has your company since given notice to Mr. Elliott, whose evidence was used in this committee, that he was to stop shipping to the company?—A. Yes, him and many others.

Q. Yes. But you did, subsequent to Mr. Elliott's evidence being given to this committee—you did give notice to Mr. Elliott that you would no longer take his milk?—A. Yes, and some others from the district as well, we have about 75 of them here, right here (indicating list).

Q. Prior to the time that his statement was used in this committee, Mr. Elliott had been shipping to your company for about 2 years?—A. I don't remember anything about that, sir.

Q. Will you admit that that is a fact?—A. We will admit it.

Q. You will admit that?—A. Yes.

Q. And shortly after his statement was used in this committee he was quietly told that the company did not want his business any longer?—A. I have got a copy of a letter to him and some others that we sent out, if it is of any interest to the committee I will read it.

Q. All right, we want to be fair?—A. "We are sorry to say that unless there is some improvement in the market for milk we are compelled to ask you to stop shipping after March 25 next. Our dealings together have been most satisfactory, and we only hope it will be possible for us to ask you to resume shipments again as soon as the flush is over."

Q. How many was that sent to?—A. How many was that sent to—I will count them, sir. There are the letters, sir, I would say about seventy-five had been cut off.

Q. And they were all in that particular district?—A. No, not all of them, I have some in the district of St. Agnes. We did the same to them also. If you want some more in the same district I can give them to you.

Q. That may be right, but to some of the members of this committee to whom this information was brought it appears rather significant that because you were confronted with a statement of Mr. Elliot's which did not agree with your statement he should be among those who are cut off?—A. That is not the reason, sir.

Q. That is not the reason, not any more?—A. That is not the reason for it.

Q. All right—

By Mr. Dupuis:

Q. Mr. Monette, you might explain again why there was this difference, if I remember correctly you gave the reason before?—A. Of the difference?

Q. Between the general average price, and the price paid to Mr. Elliot?—A. Yes, I got a little mixed up in not using the right word, about average and the average price, I think I should have used the word "uniform price."

Q. Was Mr. Elliot shipping milk the year around?—A. He was shipping, evidently, all the year round. If you will allow me, I would tell you that there is a truck running there, around that section, which they are not going to have next year.

Q. Now, Mr. Monette, I asked the previous witness to tell us how much milk he separated since September, 1932. He said he was unable to give these details. Are you able to give them?—A. I could not give them.

Q. How much do you separate, as much as these other companies?—A. I could not give, Mr. Dupuis, how much milk Mr. Cousins separates.

Q. Your company?—A. I can give you the skim milk for the whole year.

Q. Since the month of September last?—A. I cannot give you that, Mr. Dupuis, I can give you the total milk skimmed in 1932—we skimmed 165,000 gallons.

Q. Yes, but that does not give the details?—A. I can't give the details because, Mr. Dupuis, we are buying our milk on a different basis. The surplus milk and the skim milk belong to the company; we pay so much to the farmer.

Q. According to your experience, Mr. Monette, is there during the winter time an over-production of milk generally?—A. Not generally, but this year when there was no shortage—

Q. No shortage?—A. No shortage this year. I have been in the business a long time and this is one of the first years that we did not have any.

Q. To what cause do you attribute that?—A. More shipping, more people wanted to ship milk to Montreal.

Q. Oh, I see.—A. Now, the States have been shut off a few years ago and all these people had no market for their milk. Naturally they looked to Montreal. We have a great many shippers in eastern Ontario that never came to Montreal before who came in this year.

Q. As a general rule, Mr. Monette, is there much over-production in the winter time?—A. As a rule, no sir.

Q. And, is there much surplus of milk in your companies in Montreal in the winter time?—A. Well, we had a surplus this year. As a rule we don't have it.

Q. What percentage of surplus do you have in your company during the winter months?—A. That is very—if you would say February.

Q. Say, October to February.—A. It's hard for me to tell you that, in January, the 1st of December to the 15th of January there is not that quantity of milk sold as at other times, in the winter time, because during the holidays people do not drink milk. And then, there is a surplus. There is always a surplus during that time—I would say from Christmas until after or about the 15th of January.

Q. You consider that is the cause of over-production?—A. Well, I would not like to say it is over-production.

Q. I mean over-shipping?—A. No demand for milk then.

Q. That is, under-consumption?—A. Yes, that is under-consumption.

By Mr. Mullins:

Q. Mr. Monette, what is lactic acid?—A. Lactic acid, oh, that is a milk—sour.

Q. What is it used for?—A. In other words, that would be sour milk.

Q. What is that?—A. Lactic acid is practically sour milk. It is an acid that is sour.

Q. You use it for storing milk?—A. No, we do not use that acid at all.

Q. One of the witnesses told us that it depreciated the machinery?—A. Yes.

Q. I just wanted to get at what the idea of it was?—A. Well, of course, if milk gets sour we say it is acidy—

Q. It might mean—A. In the business, that is, in our company we have depreciation on automobiles of 20 per cent per year; on rolling stock 15 per cent; on machinery 10 per cent; and on buildings 2½ per cent. That is what we are allowed by the income tax.

Q. Now, milk that you get in must test 3.5?—A. Why, not exactly, sir, because the law will allow you to get in milk 3.25.

Q. Supposing it comes in below that, do you put some cream into it?—A. We have got to do that if it is below standard.

Q. To bring it up?—A. But, when we have that milk below standard it shows that some of the producers are getting careless, or too anxious, and we check them up and send word to stop them from shipping any more. We say that is very dishonourable.

Q. You make buttermilk?—A. We make buttermilk—not very much, sir. We are a new company.

Q. What do you get a quart for that?—A. We hardly—well, I can't answer that because the most of our business is wholesale.

Q. Oh yes?—A. We sell a few quarts around 8 cents a quart. Not enough to be of any interest.

Q. And you manufacture from the culture?—A. From a culture, yes.

By Mr. Dupuis:

Q. I have a very important question to ask the witness, as it comes to my mind; it is generally understood in Canada that in large centres milk dealers

make falsified cream and falsified milk with chemical processes. I would like to ask the witness if, in good faith, he can tell that those things are done in Montreal?—A. Not to my knowledge, sir.

Q. Well, didn't you ever hear about it?—A. Oh, there are rumours, naturally, Mr. Dupuis. It seems that a fellow is honest all right until he gets into the milk business, and then he is branded as a thief.

Mr. MULLINS: He is done then. I have been in the wrong end. I have been in the cow end, and you are in the milk end. I have had the wrong end.

The WITNESS: I am not so sure.

By Mr. Dupuis:

Q. I suppose you are not ready to admit that there were some of these milk dealers that make falsified butter with cocoanut oil?—A. That was done some years ago.

Q. And in the criminal courts we find many names in Montreal and other large cities that have paid a fine?—A. Yes.

Q. And how is it that in good faith you cannot tell this committee that this thing is currently done in large cities?—A. It is not currently done in Montreal. We have a by-law, and our officials are efficient, and they look after that thing.

Q. That by-law is there to be broken, I suppose?—A. The same as any other.

Q. It is like traffic laws?—A. Yes.

Q. Nobody is allowed to go more than thirty miles an hour, but everybody does?—A. Well, it is not the case in milk.

Q. Suppose the thing occurs in large cities like Montreal, Toronto, Winnipeg, that milk dealers are doing these things, selling falsified cream and falsified milk and butter, what would you suggest to the committee to do to prevent those things?—A. Well, you have got sufficient by-laws now, Mr. Dupuis, to prevent all those things; and I can say for Montreal that it is well applied and well looked after. About these people that were making some adulterated butter, the government got after them; and to-day, with butter around 16 or 20 cents, there is not the incentive that there was before when butter was 40 cents. To-day they have got to pay 10 or 12 cents for cocoanut oil; in selling their butter at 16 or 18 cents, it does not pay them to do that, so they are driven practically out of business.

Q. Is there any peanut butter sold these days?—A. There is peanut butter sold as peanut butter.

Mr. DUPUIS: Mr. Chairman, I wanted to clear my mind on that question which is most important, and I would like you to take the proper steps to bring in before this Committee a chemist that could tell us if it is right that these things are done, or inspectors of the Government.

Mr. PICKEL: Enforce the law, that is all; just enforce our law.

The ACTING CHAIRMAN: That matter can be considered by the sub-committee.

By Mr. Moore:

Q. Mr. Monette, a few minutes ago Mr. Bowman asked you a question about Mr. Elliott's milk. Can you tell me how many you have discontinued taking milk from? You said you had the list of names there?—A. Yes.

Q. Some others?—A. Do you want me to count them?

Q. No; about how many approximately?—A. I just answered that; about fifty, seventy-five; there is the list.

Q. How many would that show?—A. I would say about seventy-five; perhaps fifty. I am not sure. The names are all there.

Q. Yes; you have taken on no new customers since?—A. Certainly not, no.

Q. None at all—A. There will be some more to be discontinued as well.

Q. We will say the 20th of March?—A. Yes.

Q. In the first place, I would like to know what quantity of milk you were receiving from those that you discontinued?—A. I would say about 150 cans.

Q. About 150 cans?—A. Yes.

Q. That is how many gallons?—A. About 1,200 gallons.

Q. About 1,200 gallons?—A. Yes.

Q. We will say on the 20th of March you have a milk distributing route in Montreal?—A. Yes.

Q. You were selling 1,200 gallons, the same on the 20th of March that you were on the 30th of March; your business must have gone to pieces?—A. No, not exactly that way.

Q. Well, about that; that is approximate.—A. Oh, yes; but you are taking the wrong thing.

Q. Wait a minute—A. I will wait.

Q. You have discontinued; you say you were receiving about 1,200 gallons from this number, anyway?—A. Yes.

Q. 1,200 gallons?—A. Yes.

Q. I know what you are going to say.—A. Yes.

Q. That you have had this 1,200 gallons of milk from some of your people, other people; that is what you are going to say?—A. That is the only logical answer I can give you.

Q. But 1,200 gallons of milk, the difference on the 20th of March and on the 30th of March—A. Yes.

Q. —to one milk distributor is a lot of milk?—A. Yes, I agree; but if that was the reason, it would be very different. But it is because the other shippers have increased their quantity.

Q. But have the other shippers increased 1,200 gallons?—A. I told the committee that there was a surplus of milk all winter this year, and we carried that surplus as far as we could, and when it came to the 20th of March, and it was going up, or was larger, then we had to discontinue some of the shippers and that is what we have done.

Q. These shippers whom you have ordered to discontinue shipping milk to you are all from the same district?—A. No, sir, they are from all over; from Finch, from Avonmore, Ste. Agnes de Dundee—Mr. Quenneville from Ste. Agnes de Dundee.

Q. Are the majority of those whom we have discontinued—A. Yes.

Q. Are they all round year shippers?—A. If they are year around shippers?

Q. Yes?—A. Some are.

Q. Most of them, yes.—A. I would say some of them that there is in this, say Cardinal for instance, they are not year around shippers, because we took them on last February.

Q. You could easily understand discontinuing with them?—A. I quite understand your position on that. But the reason that you infer is not the logical reason. The reason is because we have too much milk; and we did not select Mr. Elliott more than anybody else, because we had some in the same district, and this truck that is hauling milk which we are discontinuing.

Q. But the implication looks rather—

Mr. DUPUIS: More or less circumstantial.

Mr. MOORE: Yes, a coincidence.

By Mr. Pickel:

Q. How many did you discontinue last year?—A. That is more than I can say. I could not say that. It depends altogether on the season of the year and the quantity of milk that we receive. We carry on as long as we can.

By Mr. Moore:

Q. Another question; you said you had a heavy surplus all last summer and last winter; you carried it?—A. Yes.

Q. Why are you not doing the same thing now?—A. Because we don't look for any increase in the price; generally in the spring of the year the price does not go up.

Q. You carried them through the surplus before; now you discontinued?—A. We discontinued the same as we do every year. We do that every year, in the spring of the year.

By Mr. Bowman:

Q. How is it you happened to discontinue that man?—A. There is no discrimination; there is a truck that does not stay there to receive milk there in that district, and Mr. Elliott happened to be sending his milk in that truck; that is why we say we discontinued him. I will go further. We had some milk shippers in that same district that were shipping by C.N.R. and we keep them on because it suits us to do that.

By Mr. More:

Q. Yes, but the general opinion—my own opinion and the opinion of the committee, I should say is had not Mr. Elliott's name been brought into this committee, that he would still be shipping milk to Mr. Monette.—A. Well, of course, that is your own opinion.

Q. Not my own opinion; the opinion of the committee.—A. Well, I can't say any more than that I am under oath, and I told you it is not the reason. If you don't believe me, I may as well quit.

Q. If I understand Mr. Monette rightly, he says that Mr. Elliott was on a route that was being served by a truck?—A. Yes.

Q. Is that right?—A. Yes.

Q. He was one of a number of shippers who were shipping by truck?—A. Yes.

Q. And it was in their interests to cancel that truck?—A. Exactly.

Q. That seems to be reasonable.

Mr. SPOTTON: Of course, reasonable.

Mr. BROWN: It seems to be a coincidence.—A. I can give you some other names as well. It is all on here.

The CHAIRMAN: Now, gentlemen, it is two minutes to one. I think you should make a decision as to whether you wish to continue this afternoon or not.

Mr. TUMMON: I can get through, as far as I am concerned, in a very few minutes.

The CHAIRMAN: Well, are there other questions that members want to ask? Do you wish to go on now?

Some hon. MEMBERS: Finish up.

The CHAIRMAN: Go ahead.

Mr. TUMMON: I just want to say in regard to the matter that is under discussion by Mr. Moore and Mr. Monette, that it is rather unfortunate, Mr. Monette, that Mr. Elliott's name was included among those whom you discontinued, due to the fact that his name was brought in the other day when you were here, unfortunately to be regretted. I as chairman of the sub-committee have had scores of letters from producers who do not want their names mentioned, do not want to be brought in because they feel that if their names are made public that the dealers will discontinue taking milk from them. Now, I say that it is unfortunate that Mr. Elliott's name was included, under the circumstances, because I do not want to believe, and the committee do not want to believe

that the dealers of Montreal will turn round and try to punish those who seek to give information to this committee which is trying to get at the facts; and as a committee I say, we regret the incident very much. Now, a little while ago, you said that you put a certain amount of cream into the low testing milk in order to bring it up to 3·5. Can you tell the committee how much cream you put in?—A. Naturally it would not be very much of a quantity, because we do not want to receive milk that is below the standard.

Q. Is not that illegal?—A. To add cream?

Q. To add cream.—A. You have to do one thing or the other. You have got milk that you cannot put out, because if you sell it it would be under the law, and if you put cream into it, well, it is against the law. I am going to say this is the explanation, that probably some of the farmers ship milk below the standard, and we get in such a position, sometimes, you know, that we cannot help—

Q. Is there any such by-law which says that you shall not add to nor take away from any of the milk that comes in?—A. Is it? The by-law will tell you that, Mr. Tummon, I do not think we should come here and it be made a crime for adding cream to our milk.

Mr. MOORE: It is against the law.

By Mr. Tummon:

Q. Have you the total number of pounds of milk you purchased in the year 1932, Mr. Monette?—A. Yes.

Q. Will you give that to the committee?—A. Yes, 12,935,423 pounds.

Q. And the average price per hundred pounds paid?—A. I can give you that month by month, not for the year.

Q. Not for the year?—A. I cannot give it, because I am going to tell you why. Sometimes, in the summer time, and in the winter time, we may receive more milk than we do at other times, and that is the reason.

Q. That would not stop you from making an average for the year. I have figured too many averages to be told that.—A. I am not keeping the books.

Q. That is alright.—A. If it had been only asked for, I would have done that. I came the last time, and gave you the prices for milk month by month, that was paid.

Q. You said you were going to tell me the reason why, that is all.—A. The reason why?

Q. Yes. Now, then, you purchased cream outside?

Mr. DUPUIS: Would it not be interesting to the committee to have it month by month?

Mr. TUMMON: I think we have that.

The WITNESS: You have the sale price for all milk sold by the gallon?

Mr. TUMMON: We have that all in the evidence.

By Mr. Tummon:

Q. I think you purchased sweet cream?—A. Yes, sir.

Q. Have you the total amount of sweet cream purchased in 1932?—A. No.

Q. Will you be able to supply that to the committee?—A. Sure.

Q. Giving the total number of pounds of sweet cream?—A. Yes.

Q. And the pounds of butter fat in it?—A. Yes.

Q. Did you purchase any sour cream for churning purposes, or cream for churning purposes?—A. Yes.

Q. Will you give us the total amount of the purchases?—A. Yes; the government has that. You have that in the Department of Agriculture.

Q. Yes, but I want it from you, and the total number of pounds of churning cream and pounds of butter fat.—A. Do you want to know the price as well; is that in your interest?

Q. Yes, give us the prices.—A. Do you want it month by month?

Q. No, the total for the year 1932. Does that include what we might call all the raw products of milk that you purchase; that is, fluid milk, sweet cream and churning cream includes all your total purchases?—A. Yes, total purchases. That would not include the total purchases, because sometimes I buy butter. Shall I include that?

Q. Yes, you may include that.—A. Buy cheese as well. Do you want that?

Q. That all enters into it. The outside number of pounds you bought, and what it cost you. You have not filed your financial statement for the year 1932.—A. I find it has not come in yet.

Q. You will file it?—A. Certainly. I gave orders to the auditors to send it over.

Q. Properly certified?—A. Sure. I had it the other time, but however, the committee seemed to be in favour of getting it translated, which I have asked our auditors to do, but the auditors at this time are very busy; but it will be here on time.

Mr. SPOTTON: Mr. Chairman, I would suggest that the witness file with us the list of those names that were cut off when Mr. Elliott was cut off, and the name of the truck driver.

The ACTING CHAIRMAN: You will furnish the information asked?

The WITNESS: Would you allow me to correct that statement? We did not cut one only off in the district, but we cut the whole truck; that is what we did.

By the Acting Chairman:

Q. You will furnish the truck driver's name and the route?—A. Sure; I have got it; there is nothing to hide.

Q. What is the truck driver's name?—A. Ben.

Q. The initials?—A. I cannot exactly tell you the man's name.

Q. How do you describe the route?—A. I will.

Q. How do you describe it?—A. It goes from Ste. Agnes to Dundee, starts from there.

The Committee adjourned to the call of the chair.

APPENDIX B

ERNEST COUSINS LIMITED

CAPITAL STRUCTURE

Ernest Cousins Limited was incorporated under Dominion Letters Patent, dated April 9, 1925, with an authorized Capital as follows:—

5,000 Seven per cent Cumulative Redeemable Preferred Shares of \$100 each.
10,000 Shares No Par Value.

Supplementary Letters Patent were obtained during 1928 by which 1,469 Preferred Shares were cancelled, and the remaining 3,531 Preferred Shares of a Par Value of \$100 were changed into 14,124 Preferred Shares at a Par Value of \$25.

The Company received the following consideration for the shares issued:—

<i>Preferred Stock—</i>		
Cash invested by subscribers—4,537 shares at \$25.....	\$	113,425
Net Assets of Ernest Cousins Limited, Old Company, purchased, exclusive of goodwill—1,587 shares at \$25.....		39,675
		<hr/> \$ 153,100
<i>Common Stock—</i>		
Bonus to subscribers.....	\$	6,125
Preferred dividends (this paid in stock).....		12,250
Goodwill of acquired concern.....		31,625
		<hr/> 50,000

Dominion Charter.

ERNEST COUSINS LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT, FOR THE YEAR ENDED
31st DECEMBER, 1931

Sales (88% Wholesale, 12% Retail).....	\$ 667,961 92	
Purchases.....	361,327 18	
		\$ 306,634 74
Express on cream.....	\$ 4,947 17	
Wages (average 70 employees).....	93,786 35	
Bottles.....	\$ 16,924 52	
Cans.....	876 00	
Cases.....	4,369 00	
		22,169 52
Dairy expenses, comprising caps, cleaning materials, etc.....		9,370 08
Delivery expenses (average 28 routes and 8 trucks)—		
Feed.....	\$ 6,325 78	
Gasoline and oil.....	3,753 64	
Repairs harness.....	1,165 63	
Shoeing, etc.....	2,222 25	
Waggons and sleighs.....	3,928 50	
		17,395 80
Light, heat and power—		
Coal.....	3,712 54	
Light and power.....	5,240 27	
		8,952 81
Repairs and replacements—		
Repairs, cans and cases.....	1,125 92	
" machinery.....	5,267 80	
Repairs, auto.....	4,203 39	
Loss on sale of equipment—		
Typewriters.....	65 75	
Machinery.....	14,661 92	
Waggons and sleighs.....	477 50	
Horses.....	401 00	
		26,203 28
Depreciation—		
Machinery.....	13,990 94	
Delivery equipment.....	6,160 65	
Building.....	2,212 26	
		22,363 85
		205,188 86
Gross profit.....		101,445 88
Discounts received.....		455 35
		\$ 101,901 23
Advertising.....	\$ 5,177 05	
Salaries (10 employees).....	24,102 08	
Taxes.....	7,935 66	
Insurance.....	4,481 37	
Stationery and supplies.....	1,755 34	
General expenses.....	15,621 87	
Fees: Bacteriologists, auditors, general repairs, paint, etc., lumber, stamps, laundry, tele- phone, ice.....		58,473 37
		43,427 86
Bad and doubtful debts.....	\$ 19,401 39	
Depreciation office furniture.....	466 06	
Interest.....	4,735 11	
		24,602 56
		\$ 18,825 30
Federal income taxes.....		2,309 53
Net profit.....		\$ 16,515 77

ERNEST COUSINS LIMITED

MILK PURCHASES

1931	Paid Associa- tion price	Surplus price	Associa- tion price	Average price paid	Butter Fat price for surplus	Average for surplus for 3·5 milk	Average price of Butter, Montreal
	lbs.	lbs.	\$	\$	cents	\$	cents
January.....	730,315	385,632	2 40	1 91	34	1 19	
February.....	706,858	355,612	2 40	1 91	34	1 19	
March.....	698,070	556,530	2 03	1 54	34	1 19	
April.....	700,220	502,574	2 03	1 56	34	1 19	22½
May.....	786,792	526,000	2 03	1 45	29	1 01	20½
June.....	804,475	534,445	1 70	1 26	29	1 10	20½
July.....	1,000,641	447,917	1 70	1 29	29	1 01	21½
August.....	956,120	439,546	1 70	1 37	29	1 01	21
September.....	849,987	438,300	1 70	1 38	29	1 01	19½
October.....	976,486	402,090	1 70	1 40	29	1 01	20
November.....	1,238,747		1 70	1 50 flat			
December.....	1,284,100	5,243	1 70	1 68	25	88	
	10,732,811	4,593,889	1 90	1 52			

Average Association price for the year, \$1.90 per 100 lbs.

Average price paid by us for all milk received for the year, \$1.52.

Average surplus for the year, 29·8 per cent.

1932	Paid Associa- tion price	Surplus price	Associa- tion price	Average price paid	Butter Fat price for surplus	Average for surplus for 3·5 milk	Average price of Butter, Montreal
	lbs.	lbs.	\$	\$	cents	\$	cents
January.....	980,881	393,009	1 70	1 48	28		
February.....	1,034,646	384,626	1 70	1 48	29		
March.....	1,329,485	255,697	1 70	1 44	29		
April.....	883,093	554,756	1 35	1 22	27		
May.....	779,934	731,051	1 35	1 02	23		16
June.....	777,118	755,048	1 35	1 05	23		16½
July.....	883,333	641,150	1 35	1 09	23		16½
August.....	1,208,025	554,798	1 35	1 07	23		16½
September.....	1,710,090		1 35	1 35			18½
October.....	1,502,817	220,469	1 35	1 30	23		21½
November.....	1,714,906		1 35	1 35*			20½
December.....	1,645,068		1 60	1 60			20½
	14,449,396	4,490,604	1 46	1 30			

*For 15 days.

Average Association price for the year, \$1.46 per 100 lbs.

Average price paid by us for all milk received for the year, \$1.30.

Average surplus for the year, 23·2 per cent.

1933	Paid Associa- tion price	Surplus price	Associa- tion price	Average price paid	Butter Fat price for surplus	Average for surplus for 3·5 milk	Average price of Butter, Montreal
	lbs.	lbs.	\$	\$	cents	cents	cents
February.....	1,451,770	91,025	1 35	1 30		80 Flat	

Sold for average price of 27 cents per gal.

100 lbs. Butter contains 84 lbs. Butter Fat, 16 per cent moisture.

The 84 lbs. Butter Fat contains 3·36 lbs. to 4 lbs. salt per 100 lbs. Butter.

Surplus price paid \$1.01 as against milk sent to factory. 63=add 25c.-88c.

ERNEST COUSINS LIMITED

TRADING AND PROFIT LOSS ACCOUNT FOR THE YEAR ENDED
DECEMBER 31, 1932

Sales (88% Wholesale, 12% Retail).....	\$ 689,650 40	
Purchases.....	360,868 90	
	<u>\$ 328,781 50</u>	
Express on cream.....	\$ 1,953 48	
Wages (average 96 employees).....	118,518 09	
Bottles (exchange and new bottles).....	\$ 14,567 37	
Cans (replacements).....	811 63	
Cases.....	2,169 07	
	<u>17,548 07</u>	
Dairy expenses, comprising caps, cleaning materials, etc.....	10,646 50	
Delivery Expenses (average 36 routes and 11 trucks)—		
Feed.....	\$ 7,581 96	
Gasoline and oil.....	4,996 93	
Repairs and harness.....	1,003 93	
Waggons and sleighs.....	2,839 76	
Shoeing, etc.....	3,065 32	
	<u>19,487 90</u>	
Light, Heat and Power—		
Coal.....	\$ 3,276 82	
Light and Power.....	5,032 82	
	<u>8,309 64</u>	
Repairs and Replacements—		
Repairs cans and cases.....	\$ 1,071 11	
Machinery repairs.....	5,919 50	
Auto repairs.....	5,407 33	
	<u>12,397 94</u>	
Depreciation—		
Machinery.....	\$ 15,494 66	
Delivery equipment.....	7,297 61	
Building.....	2,212 26	
	<u>25,004 53</u>	
		<u>213,866 15</u>
Gross profit.....	\$ 114,915 35	
Discounts received.....	38 58	
		<u>\$ 114,953 93</u>
Advertising.....	\$ 9,102 23	
Salaries (13 employees).....	26,029 64	
Taxes.....	6,783 63	
Insurance.....	3,771 47	
Stationery and supplies.....	3,276 10	
General expenses (fees, general repairs, postage and excise stamps, cleaning, telephone, etc.).....	19,541 67	
		<u>68,504 74</u>
		<u>\$ 46,449 19</u>
Bad and doubtful debts.....	\$ 22,322 75	
Depreciation office furniture.....	468 06	
Interest.....	3,694 16	
		<u>26,449 19</u>
Net profit.....	\$ 19,964 22	
Federal Income Taxes 12½%.....	2,495 52	
		<u>\$ 17,468 70</u>

This Statement has not been audited.

ERNEST COUSINS LIMITED

FIXED ASSETS DECEMBER 31, 1932

	Cost		Reserve for de- preciation	Present book value
	\$	cts.	\$	cts.
Real estate.....	29,992	50		29,992 50
Buildings.....	88,490	32	12,871 79	75,618 53
Machinery and equipment.....	109,978	37	48,917 46	59,060 91
Delivery equipment.....	55,954	05	34,021 29	21,932 76
	282,415	24	95,810 54	186,604 70

HORSES 48, BOOK VALUE \$3,826.67 AT DECEMBER 31, 1932

Dec. 31, 1931—Horses, value.....	\$	6,923 33	
Reserve.....			\$ 2,488 00
Jan. 1, 1932—Horses.....	\$	6,923 33	
Additions.....		970 00	
Dec. 31, 1932—Balance.....	\$	7,893 33	
Reserve 1931.....	\$	2,488 00	
" 1932.....		1,578 66	
			4,066 66 (Total Reserve)
48 horses, value on books after reserve.....	\$	3,826 67	

ERNEST COUSINS LIMITED

CAPITAL STRUCTURE

Ernest Cousins Limited was incorporated under Dominion Letters Patent dated April 9, 1925, with an authorized Capital as follows:—

5,000 7% Cumulative Redeemable Preferred Shares at \$100 each
10,000 Shares No Par Value

Supplementary Letters Patent were obtained during 1928 by which 1,469 Preferred Shares were cancelled, and the remaining 3,531 Preferred Shares of a par value of \$100 were changed into 14,124 Preferred Shares at a par value of \$25.

The company received the following consideration for the shares issued:—

<i>Preferred Stock—</i>			
Cash invested by subscribers, 4,537 shares at \$25.....	\$	113,425	
Net assets of Ernest Cousins Limited, Old Company, purchased, exclusive of goodwill—1,587 shares at \$25.....		39,675	
			\$ 153,100
<i>Common Stock—</i>			
Bonus to subscribers.....	\$	6,125	
Preferred dividends.....		12,250	
Goodwill of acquired concern.....		31,625	
			50,000

MARROTTE, ANDERSON & CO.

CHARTERED ACCOUNTANTS

388 St. James Street

MONTREAL, April 29, 1932.

To the Shareholders,
Ernest Cousins Limited,
Montreal.

We have examined the books and accounts of Ernest Cousins Limited for the year ended December 31, 1931.

We would call your attention to the following in connection with the attached statements:—

Accounts Receivable \$76,758.94.—Officials of your Company have certified that in their opinion the Reserves for Bad and Doubtful Accounts amounting to \$22,098.71 are sufficient to provide for all the accounts which may be found uncollectible.

MERCHANDISE AND CONTAINERS ON HAND

Milk and Cream.—Your President has certified that the inventories totalling \$2,337.06 have been valued at cost prices or at prices which he estimates to be the actual replacement value of the goods at December 31, 1931, where such values were lower than cost.

Bottles, Cans and Cases.—We hold a certificate from your President that in his opinion the amount of \$8,246.18 is a fair and conservative estimate of the Bottles, Cans and Cases on hand at December 31, 1931.

Fixed Assets.—Depreciation has been charged to operations during the year as follows:—

Buildings, 2½%.....	\$ 2,212 26
Machinery and equipment, 15%.....	13,990 94
Autos, various.....	2,262 75
Horses, 20%.....	1,384 66
Sleighs and wagons, 10%.....	2,291 00
Harness, 10%.....	222 24
Office furniture and fixtures, 10%.....	466 06
	<hr/>
	\$ 22,829 91

Liabilities.—We hold a certificate signed by Officials of your Company that all the known liabilities have been set up on the books.

Capital Stock.—Mr. Ernest A. Cousins arranged with nearly all of the Shareholders to issue, and he has issued to them, certain of his own shares of No Par Value Stock of your Company in lieu of their accrued dividends on the Preferred Stock prior to November 21, 1928.

Miss Charlotte B. Lloyd, owner of ten old Preferred Shares is the only one who has not turned in her old certificate in exchange for a new one and who has not accepted Mr. Cousins' offer of certain of his own No Par Value Shares in lieu of accrued dividends.

Accrued Dividends.—Dividends on the Cumulative Preferred Shares are in arrears since August 21, 1929.

General.—At a meeting held on June 12, 1931, your Directors approved a resolution passed by the Board of Directors of Wildgrove Limited, to surrender its charter. The Provincial Treasurer accepted the charter of Wildgrove Limited and its business dissolved as and from August 8, 1931.

All of the assets and liabilities of Wildgrove Limited have been taken over by your Company and incorporated in the accounts.

CERTIFICATE

We report that we have obtained all the information and explanations we have required, and that subject to the foregoing, in our opinion the attached Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Company's affairs at December 31, 1931, according to the best of our information and the explanations given to us, and as shown by the books of the Company.

(Signed) MARROTTE, ANDERSON & CO.,
Chartered Accountants.

STATEMENT I

ERNEST COUSINS, LIMITED

BALANCE SHEET AT DECEMBER 31, 1931

ASSETS		LIABILITIES AND CAPITAL	
<i>Current—</i>		<i>Current—</i>	
Cash on hand and in bank.....	\$ 6,555 22	Accounts Payable—	
Accounts receivable—Trade.....	\$ 76,758 94	Trade.....	\$ 57,344 63
Less: Reserve.....	12,098 71	Federal income taxes.....	1,943 32
		Unredeemed tickets (estimated).....	4,835 07
Merchandise and containers on hand (certified by the President)—		Other.....	1,701 50
Milk and cream.....	2,337 06	Accrued charges.....	\$ 65,824 52
Bottles, cans and cases (estimated).....	8,246 18		1,928 27
		<i>Drivers' guarantee bonds.....</i>	<i>\$ 67,752 79</i>
			<i>2,153 46</i>
<i>Fixed—As Appraised with Additions Since—</i>			
Land.....	\$ 81,798 69	<i>Mortgage Payable—</i>	
Buildings.....	29,992 50	6% first mortgage due 1933.....	70,000 00
Less: Depreciation.....	77,830 79	<i>Special Reserve for Accounts Receivable.....</i>	<i>10,000 00</i>
Machinery and equipment.....	93,272 92	<i>Capital Stock—</i>	
Less: Depreciation.....	30,412 81	Authorized.....	
Delivery equipment.....	62,860 11	Preferred 14,124 7% cumulative re- deemable shares of \$25 each.....	
Less: Depreciation.....	23,129 57	Common 10,000 shares of no par value.....	
Office furniture and fixtures.....	2,118 70	Issued—	
Less: Depreciation.....	195,931 67	Preferred.....	153,100 00
	87,507 44	Common—	
<i>Goodwill.....</i>	<i>50,000 00</i>	10,000 shares of no par value (issued at \$5 per share).....	50,000 00
			203,100 00
		<i>Profit and Loss Account—</i>	
		Balance at January 1, 1931.....	5,588 48
		Add: Profit for year ended December 31, 1931 (Statement II).....	18,825 30
			24,413 78
		<i>Deduct—</i>	
		Dividends paid on preferred stock.....	8,036 67
		Federal income taxes.....	2,309 53
		Organization expenses.....	1,836 03
			12,182 23
			12,231 55
			<u>\$ 365,237 80</u>

Approved on behalf of the Board:

ERNEST A. COUSINS, Director.
A. C. CORDNER, Director.

The above is the Balance Sheet referred to in our Report to the Shareholders dated April 29, 1932.

Dated at Montreal,
April 29, 1932.

(Signed) MARROTTE ANDERSON CO.,
Chartered Accountants.

ERNEST COUSINS, LIMITED

TRADING AND PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED 31st DECEMBER, 1931

To Stock on hand at 1st January, 1931.....	\$ 3,280 60	By Sales—Milk and cream.....	\$ 638,912 06
Purchases—Milk and cream.....	\$ 334,356 05	Other.....	30,164 80
Other.....	26,027 59		\$ 669,076 36
	<u>\$ 360,383 64</u>	Less: Allowances.....	<u>1,114 44</u>
	363,664 24		\$ 667,961 92
	2,337 06		
Less: Stock on hand at 31st December, 1931.....	<u>\$ 361,327 18</u>		
To wages.....	\$ 93,786 35		
Express.....	4,947 17		
Bottles, cans and cases.....	22,169 52		
Dairy expenses.....	9,370 08		
Delivery expenses.....	17,395 80		
Light, heat and power.....	8,952 81		
Repairs and replacements.....	26,203 28		
	182,825 01		
To Depreciation—Machinery.....	\$ 13,990 94		
Delivery equipment.....	6,160 65		
Building.....	2,212 26		
	22,363 85		
	101,445 88		
Gross profit carried down.....	<u>\$ 667,961 92</u>		
		By Gross Profit brought down.....	\$ 101,445 88
		Discounts received.....	455 55
To Advertising.....	\$ 5,177 05		
Salaries.....	24,102 08		
Taxes.....	7,935 66		
Insurance.....	4,481 37		
Stationery and supplies.....	1,755 34		
General expenses.....	15,021 87		
	58,473 37		
Bad and doubtful debts.....	\$ 19,401 39		
Depreciation—Office furniture and fixtures.....	466 06		
	19,867 45		
	4,735 11		
	18,825 30		
Interest.....			
Profit for year carried to balance sheet (Statement I).....	<u>\$ 101,901 23</u>		
			<u>\$ 101,901 23</u>

Filed By Witness Monette

LAITERIE PERFECTION LIMITEE
PERFECTION DAIRY LIMITED

MONTREAL, March 18, 1933.

DEAR SIR,—We are sorry to say that unless there is some improvement in the market for milk, we are compelled to ask you to stop shipping after March 25, next.

Our Dealings together have been most satisfactory and we only hope that it will be possible for us to ask you to assume shipments again as soon as the flush is over.

Yours truly,

PERFECTION DAIRY LIMITED,

JOS. HEBERT,

Per Jos. Hébert.

Nos.	Noms	Adresses
013	Carl Anderson.....	Cardinal, Ont.
019	W. J. Arnold.....	Ste. Agnes de Dundee, Que.
020	Elzie Alguire.....	Avonmore, Ont.
02	Alex. Barker.....	Avonmore, Ont.
016	L. Brown.....	Cardinal, Ont.
018	H. Bayers.....	Cardinal, Ont.
037	F. G. Bennett.....	Spencerville, Ont.
041	Thos. L. Brown.....	Spencerville, Ont.
02	Campbell Bros.....	Finch, Ont.
09	W. J. Cook.....	Cardinal, Ont.
022	Mme. Felix Cyr.....	Ste. Scholastique, Que.
031	Edward Cameron.....	Avonmore, Ont.
032	Basil J. Crawford.....	Finch, Ont.
033	Allison Cook.....	Spencerville, Ont.
034	J. A. Campbell.....	Finch, Ont.
036	Geo. W. Carlyle.....	Mountain, Co-Dundas, Ont.
037	W. A. Cameron.....	Mountain, Co-Dundas, Ont.
01	Ovide Duhamel.....	St. Anicet, Que.
018	Errington & Driscoll.....	Iroquois, Ont.
019	W. M. Dodge.....	Cardinal, Ont.
027	Alfred Dunbar.....	Finch, Ont.
028	Carman Dukelow.....	Spencerville, Ont.
02	J. B. Elliott.....	Howick, Que.
09	S. W. Farrell.....	Finch, Ont.
020	J. D. Forsyth.....	Finch, Ont.
06	Clifford Grue.....	Spencerville, Ont.
028	Philippe Gratton.....	Ste. Scholastique, Que.
029	Leon Gratton.....	Ste. Scholastique, Que.
030	D. H. Gillie.....	Finch, Ont.
03	W. D. Hamilton.....	Iroquois, Ont.
015	Arthur Humes.....	Cardinal, Ont.
016	Carl Hunter.....	Spencerville, Ont.
059	Adolphe Legault.....	Ste. Scholastique, Que.
070	Romuald Lalonde.....	Ste. Scholastique, Que.
09	Henri Meloche.....	St. Augustin, 2 Montagnes, Que.
021	A. G. McDonald.....	Apple Hill, Ont.
022	D. McCuaig.....	Bainsville, Ont.
032	C. McKinnon.....	Finch, Ont.
034	Hugh McMillan.....	Finch, Ont., R.R. 2.
035	Morrison McLeod.....	Finch, Ont.
036	Kenneth McRea.....	Finch, Ont.
037	D. W. McRea.....	Finch, Ont.
038	Stewart L. McRea.....	Avonmore, Ont.
039	Neil A. McRea.....	Finch, Ont.
040	Donald H. McIntosh.....	Finch, Ont., R.R. 1.
041	Angus McMillan.....	Finch, Ont.
043	C. A. McMillan.....	Finch, Ont.
044	W. McLaughlin.....	Finch, Ont.
045	Dan McMillan.....	Finch, Ont.
046	Angus D. McMillan.....	Avonmore, Ont.
047	Archie McEntyre.....	Avonmore, Ont.
049	Hugh J. McMillan.....	Finch, Ont.
059	G. McNaughton.....	Finch, Ont.
09	Blake Nephew.....	Finch, Ont.
023	Alvin Prosser.....	Cardinal, Ont.
01	J. H. A. Quenneville.....	Ste. Agnes de Dundee, Que.
023	Edward Raycroft.....	Cardinal, Ont.
024	Jas. Reilly.....	Spencerville, Ont.
026	D. Ritchie.....	Avonmore, Ont.
01	W. D. Shaver.....	Cardinal, Ont.
05	C. B. Scott.....	Cardinal, Ont.
09	Alex. Smith.....	Finch, Ont.
010	Hugh Shaver.....	Finch, Ont.
011	Thos. Sutherland.....	Avonmore, Ont.
012	D. A. Shaver.....	Finch, Ont.
013	James Smith.....	Spencerville, Ont.
021	Percy Taylor.....	Cardinal, Ont.
023	Charlie Tyo.....	Apple Hill, Ont.
011	J. Vallance.....	Apple Hill, Ont.
01	Arthur Zeran.....	Newington, Ont.

APPENDIX C

FILED AND REFERRED TO IN EVIDENCE BY WITNESS P. D. McARTHUR AT PAGE 18 ET SEQ

	Firm A		Firm B		Firm C		Firm D	
	Per cent Surplus Price	Average Price	Per cent Surplus Price	Average Price	Per cent Surplus Price	Average Price	Per cent Surplus Price	Average Price
	per cwt.	\$	Per cent	\$	Per cent	\$		\$
January.....	22	1 60	24 at \$1 05	1 54	17-6 at \$1 05	1 60	No surplus	1 40
February.....	19	1 65	18-5 at 1 05	1 55	3-3 at 1 05	1 67	"	1 40
March.....	21	1 62	20-8 at 1 15	1 55	12-3 at 1 10	1 63	"	1 40
April 1-15.....	23	1 70						
April 16-30.....	15	1 35	5 at 1 00	1 39	12-3 at 0 90	1 45	"	1 00
May.....	25	1 26	8 at 0 95	1 23	16 at 0 90	1 28	"	1 00
June.....	43	1 35	12 at 0 95	1 24½	15-7 at 0-90	1 28	"	1 00
July.....	43	1 35	9-5 at 1 05	1 24	None	1 35		1 00
August.....	27	1 35	8 at 1 05	1 28	3-5 at 0 95	1 36	"	1 00
September.....	30	1 35	18 at 1 05	1 29	7 at 1 00	1 32½		1 20
October.....	25	1 35	.....	1 33	7-5 at 1 00	1 32½	"	1 20
November.....	8	1 35	8 at 1 05	1 37	None	1 35	"	1 20
December.....	23	1 60	.....	1 55½	13-6 at 1 05	1 53	"	1 35
Averages.....		\$1-477	.....	1 38	.....	1-427	.....	1 60

Aver price agreed, \$1-4777. Average net price, \$1-227.
 Average price received, \$1-322 per cwt. Average net price received, \$1-072 per cwt.
 Some of the milk was as low as 75 cents delivered in Montreal, netting 50 cents per cwt.

P. D. McARTHUR.

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SESSION 1933
HOUSE OF COMMONS

Government
Publications

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

THURSDAY, APRIL 6, 1933

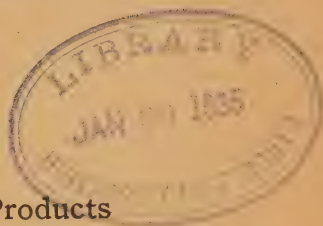
No. 11

Reference,—Milk and Milk Products

Ernest Chartrand, Superintendent, La Laiterie Etoile Incorporée, Montréal.
Gerald Desjardins of La Ferme St. Laurent Limited, Montreal.

Appendix "B," Documents filed by Witnesses.

OTTAWA
J. O. PATENAUDE, ACTING KING'S PRINTER
1933



MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

THURSDAY, April 6, 1933.

The meeting came to order at 10.30 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Bowman, Bouchard, Bowen, Boyes, Dupuis, Gobeil, Goulet, Jones, Loucks, McGillis, McKenzie, Motherwell, Mullins, Myers, Pickel, Porteous, Senn, Shaver, Simpson Spotton, Stewart, Stirling, Taylor, Vallance, Weese, Wilson, Weir (*Macdonald*).

As the witnesses of the day were giving their evidence in French the chairman called on Mr. Moore to act as associate chairman.

Mr. Spotton introduced the subject of the further proceedings of the committee and after discussion it was decided to call the committee for to-morrow to give the matter further consideration.

Mr. Ernest Chartrand, Superintendent, La Laiterie Etoile Incorporée, Montréal, was called, sworn and examined.

Witness retired.

Gerald Desjardins of La Ferme St. Laurent Limitée, Montréal, was called, sworn and examined.

Witness retired.

The meeting adjourned till Friday, April 7, at 11 a.m.

A. A. FRASER,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

THURSDAY, April 6, 1933.

Mr. Moore, acting chairman.

Mr. ERNEST CHARTRAND, of Saint-Leonard-de-Port-Maurice, called and sworn.

By Mr. Moore:

Q. What is your name, please?—A. Ernest Chartrand.

Q. Which company do you represent?—A. La Laiterie Etoile, Incorporee.

Q. Are you the president of the company?—A. No, I am only the superintendent.

Q. Just superintendent?—A. Yes, sir.

Q. You do not own the company?—A. No, I do not; I am only a shareholder of the company. I have received a telegram and I have come.

Q. Since what date are you superintendent?—A. Since the formation of the company, on the 5th day of October.

Q. Since October 5 last?—A. Yes.

Q. Have you anything to say to the Committee?—A. I can answer any questions you wish to ask me.

Q. You wish only to answer questions. Have you not any suggestions to make?—A. I shall give you all the information you wish from me.

By Mr. Gobeil:

Q. Mr. Chartrand, what company do you say you represent?—A. La Laiterie Etoile, Incorporated (The Star Dairy, Incorporated).

Q. Since when?—A. Since October 5 last.

Q. Has the company been incorporated only on that date?—A. Yes, on the 5th day of October.

Q. In that case, you have not many reports of your operations since you have not been long in business. Can you tell the Committee how many pounds of milk you have bought since your incorporation?—A. Certainly: from October 5 to January 1st, we have bought 788,130 pounds of milk for which we paid \$11,955.49.

Q. How do you buy your milk, Mr. Chartrand?—A. By the hundredweight.

Q. Have you a special price or do you pay the Association price?—A. We pay according to the Association prices.

Q. You have no price for the surplus?—A. No, we have no milk surplus: it is all paid in accordance with the established prices.

Q. What price did you pay?—A. From October 5 to January 1, the price was \$1.39.

Q. Is this an average?—A. Yes, the average.

Q. Now, Mr. Chartrand, have you been a long time in the milk industry, in Montreal?—A. Since four years ago.

Q. Have you been connected with the organization of a company by the name, I think, of Les Producteurs de Lait?—A. The Northern Farmers' Dairy.

Q. In what year, Mr. Chartrand?—A. From 1930 to 1932.

Q. Not before?—A. No.

Q. Is this company still in existence?—A. No, sir; it has been bought out by the Star Dairy, la compagnie Etoile.

Q. Have you been one of the promoters of that company?—A. Of the Northern Farmers' Dairy.

Q. You have sold shares for the company?—A. Yes.

Q. Are you aware of the number of shares sold by that company?—A. Shares have been sold in the amount of \$16,754.

Q. What has become of those shares, Mr. Chartrand; are they worth anything to-day?—A. They are not worth anything.

Q. Is this company in liquidation?—A. Yes, sir.

Q. Can you tell the Committee if milk shippers have incurred any losses when this company went into liquidation?—A. Yes, they did.

Q. The milk shippers have lost money?—A. Yes.

Q. Do you know how much?—A. I could not say exactly, but I believe the amount was about \$17,000 or \$18,000.

Q. How long have you been in the employ of that company, the Northern Milk Producers (les Producteurs du Lait du Nord)?—A. From August, 1931, until 1932.

Q. And after that?—A. The Laiterie Etoile Incorporee (the Star Dairy) took possession.

Q. You secured employment in the Laiterie Etoile Incorporee?—A. Yes.

Q. Has the Laiterie Etoile Incorporee sold any shares to farmers?—A. No, none at all.

Q. Now, the shares which have been sold by the first company have been sold, I assume, to milk producers?—A. Yes, to milk producers.

Q. It was probably the inducement offered to farmers for buying those shares?—A. That is to say, I had already been concerned with organization work and a few farmers held a meeting to discuss the project of starting a dairy which would be known under the name of the Laiterie des cultivateurs du Nord. There was a meeting held and several farmers subscribed \$100 each in order to form the company.

Q. Is this number of shares which were sold the whole capital of the company or is it only the number of shares sold to the farmers?—A. Just the shares sold to farmers.

Q. Can you tell us the total amount of the shares sold or subscribed, or paid for?—A. Shares have been sold in the amount of \$28,000.

Q. Sold?—A. Yes, and paid for. The others have been taken up by other persons as milk shippers.

Q. Now, Mr. Chartrand, have you taken any part in the settlement of the milk producers' strike in 1929?—A. Certainly, because I was president of the milk producers' association.

Q. Then, being the representative of the producers, you were the one to negotiate with the milk distributors?—A. Exactly.

Q. At that time, then, you had no interest in any dairy?—A. None at all.

Q. Therefore, you are familiar with the agreement arrived at between the producers and distributors?—A. Of course.

Q. Was the agreement in writing?—A. No, it was a verbal agreement.

Q. Now, since 1929, after the agreement, or about that time, in what manner have you been interested in the milk industry in Montreal?—A. Before that time?

Q. When the agreement was concluded, after the agreement had been concluded.—A. It is then that we found out that the farmers who had subscribed to the agreement were deriving no further benefit therefrom.

Q. Immediately after the agreement?—A. Yes, sir.

Q. Are you aware that the agreement between the distributors and the producers, the verbal agreement, has been observed for some time?—A. Yes, for a very short time.

Q. What has happened?—A. Well, . . . It had been understood in presence of the Honourable Mr. Perron, then minister, and in presence of the members and representatives of the interested parties that each side should make concessions, that there should be no ill feeling against any one, that the employers would be reinstated and that everything should be run smoothly. This went on for a few months, a couple of months. Unfortunately, we realized that certain individuals were not keeping their promises, and that a few suppliers were not being fairly treated.

Q. Are you aware that the agreement was not observed in respect of prices also?—A. Yes.

Q. In what manner?—A. Several of them did not follow the set prices. I would even say that when the association held a meeting later on I was not even notified that this question was to be discussed with the big companies of Montreal. The provincial organization, with a membership of 3,500 farmers, was ignored. Then, the big companies had a meeting with the English section and we had not been notified. It is only a few days after the prices had been set that we had any knowledge of it.

Q. You did not know the prices then?—A. They could not be discussed.

Q. What do you mean by the English association?—A. The English association was represented by Mr. Black, I mean the South Shore Association of the County of l'Assomption.

Q. So you have two associations?—A. Yes, two.

Q. Who do not meet together; they are separate bodies?—A. They do not meet now. The first time it happened, was when the question of a strike was brought up; then we were acting together.

Q. We have heard, Mr. Chartrand, of milk being bought at less than the agreed price between the association and the distributors; this is usually called bootleg milk; do you know anything about it?—A. No, because I can assure you that our company, since its organization—it can be proven by showing the books I have with me—has never paid skim-milk prices for its milk; we have always bought our milk at prevailing prices. Probably other companies may have sent a report that they had paid a surplus at skim-milk prices. I heard of it myself, but I can only speak for our own association.

Q. You say that the Star Dairy did not buy any bootleg milk, that is below the set prices?—A. We never bought any bootleg milk. We paid the same price to suppliers in good standing for the surplus which they shipped to us.

Q. Is the price by the hundred weight which you gave us a few minutes ago the price set by the Producers' Association?—A. Unquestionably.

Q. And for the milk surplus?—A. No, about the milk surplus, we have skimmed the milk and we paid the farmer according to the same price.

Q. Is your company in the cream business?—A. Very little. We sell perhaps a small quantity of cream at 10 per cent, but our cream and butter business is hardly of any consequence.

Q. About that cream business of yours, does that cream come from the milk you skim yourself or do you buy it?—A. It comes from the milk skimmed by us.

Q. In your opinion, is the cream business as profitable or more than the whole milk business?—A. When we can have a reasonable market for sweet cream, I believe it is just as profitable.

Q. You are not prepared to say there is more money in it?—A. No, it may be about the same.

Q. Can you give the Committee, Mr. Chartrand, the average price paid by you for every quart of milk you have sold; I am speaking of the whole milk?—A. The cost of milk is 15.5 cents per gallon, delivered to the homes.

Q. I am asking you the price paid by you to the producer, Mr. Chartrand, for each quart.—A. We buy by the hundredweight.

Q. Anybody can make out the figures; have you not done so? You have told us the cost of milk per gallon which you sold. How much does a gallon of milk cost?—A. 15.5 cents.

Q. Is the cost including only what you pay the producer?—A. No, the manufacturing cost means 10.8 cents more.

Q. What do you mean by that? If it were 16 cents, this would be 4 cents a quart. Is that the price you pay at your plant?—A. Yes, at our plant.

Q. Have you the average sale price?—A. Yes, the average sale price brought us a return of 25.3 cents. This includes delivery charges. We must not forget that this price includes the buying price, the pasteurization charges which come to 2.1 cent per gallon, and the delivery cost is set at 6.4 per gallon.

Q. You have no pasteurization equipment?—A. Yes but it costs us 2.1 cents for operation.

Q. What is the delivery costs?—A. 6.4 cents per gallon; overhead, 2.3 cents per gallon, or a total of 10.8 cents. We have bought at 15.5 cents which is the price we have been paying to the farmer.

Q. We have then 26.3 cents per gallon. You are giving me, Mr. Chartrand, the cost of the milk you buy but not of the milk delivered to the consumer?—A. Yes.

Q. Now, what is the average sale price?—A. I would advise you that I am now giving you the price for the first two months, from October 5 to January 1 when we had just started. The milk brought us a return of 25.3 cents per gallon, or a deficit of \$927.46.

Q. How can you explain that? 25.3 per gallon: this means about 6 cents and a quarter per quart?—A. Precisely.

Q. You do not sell your milk above 6.25 per quart?—A. No, I am speaking of the average. We are selling only 10 per cent of our milk directly to the consumers. We sell chiefly to wholesalers' milk stations or jobbers.

Q. What is your selling price to wholesalers?—A. Some of it, at that time was selling at 24 cents to wholesalers.

Q. To whom?—A. To grocers.

Q. By the bottle or in bulk?—A. By the bottle, in quarts, but we do handle milk in cans.

Q. Therefore, all the milk you are selling to grocers since your company is in operation is sold at the price of six cents and a quarter per quart?—A. Up to January the 1st.

Q. And after January 1?—A. Presently it is between 20 and 22 cents, which is not the same thing. I have the other balance sheets covering the operations for the other two months.

Q. Will you produce those balance sheets?—A. From January 1st to March 1st we have sold 860,343 pounds of milk and paid the farmers the sum of \$11,165.55.

Q. What is the average per hundredweight?—A. \$1.29.

Q. Between January and March?—A. Yes, up to March 1st.

Q. Delivered to the plant?—A. Yes.

Q. Is that the association price, Mr. Chartrand? You are giving us the average, do you?—A. Yes, the average for all.

Q. Can you give the Committee.....you have here two different prices for the same period?—A. Yes, because the prices have changed.

Q. Will you give us each change in the prices?—A. The first half of February, we have paid \$1.35 per hundredweight until the middle of February; from the second half of February we have paid \$1.60 per hundredweight, with the exception that in the latter half of February we have paid to some suppliers \$1.70 because we felt that their milk was worth more and we wanted to reward them for the trouble they were giving themselves.

Q. Now, what price are you paying since March 1st?—A. I have not those prices here; the balance sheet is not complete.

Q. You say that you sold your milk 25 cents per gallon to wholesalers?—

A. Yes, for the first two months.

Q. What are you selling it at now?—A. Later on.... that is, we have paid it 26·3 cents and we have sold it 25·3, making a deficit of \$927.46.

Q. For which period?—A. From October 5 to January 1st.

Q. Your company has lost?—A. \$927.46.

Q. And since then?—A. From January 1st to March 1st we have made a profit of \$1,743.45.

Q. How do you explain this profit compared to your previous loss?—A. It is because the milk has been sold when it was costing more money. At the beginning of our operations we sold only 788,130 pounds of milk against 860,343 pounds, which did not require a larger staff and the operating costs have been reduced on account of handling more milk in our pasteurization plant.

Q. Venez-vous aux magasins en series?—A. Non.

Q. You only sell to grocers?—A. Yes.

Q. Before being connected with the Northern Farmers Dairy, Mr. Chartrand, were you interested in milk distribution, Mr. Chartrand?—A. No, not in milk distribution.

Q. You have told me that you were interested in a company known under the name of The Milk Producers' Dairy?—A. Yes, the Milk Producers' Dairy at that time. That was the first organization, after the strike.

Q. Then its name has been changed?—A. Yes, the name has been changed.

Q. Is it a new corporation?—A. Yes, sir.

Q. What has happened to the first organization?—A. The first one became bankrupt.

Q. Had any shares been sold to farmers?—A. Yes, sir, a large number.

Q. Do you know the capital of the corporation or the number of shares which have been paid for?—A. When the company was incorporated, the capital was \$199,000.

Q. How many shares were sold, do you know?—A. Certainly for more than \$60,000 worth, excluding \$35,000 paid in by the Government at the time.

Q. How is it that the Government paid in some money?—A. Probably in view of helping them and co-operating to the extent of \$35,000, which would be of assistance to the producer, at that time.

Q. You mean the provincial government of Quebec?—A. Yes, the Quebec Government.

Q. They have paid a grant to the Association?—A. Yes, \$35,000.—A. And \$60,000 of shares were sold to farmers?—A. Yes.

Q. Sold and paid for?—A. Yes, all paid for, the most part of it has been paid.

Q. How long has this company been operating?—A. Two or three years, I believe, almost three years.

Q. During those two or three years, the provincial government of Quebec paid \$35,000 as a grant, or call it any other name, and shares have been sold for the amount of \$60,000?—A. Yes.

Q. And which have been a complete loss?—A. A complete loss.

By Mr. Bouchard:

Q. Are you speaking of a company or of a co-operative organization?—

A. It was a stock company at the time.

By Mr. Gobeil:

Q. Are you sure, Mr. Chartrand, that you do not make any mistake when you state that the Quebec Government granted \$35,000 to this company?—A. certainly.

Q. At the time, were you familiar with the business, were you in the business or were you an employee?—A. I knew much about it at the time.

Q. Can you give the Committee any reason why the Government gives to a private company \$35,000 of the public funds?—A. I understand it was a loan, but that, later, the Government agreed to leave it stand as a loss, on condition that part of it went to the farmers affected by the failure.

Q. Did the shareholders receive a certain amount?—A. Yes, later.

Q. Do you know whether any milk producers lost money as well?—A. Yes, a good deal.

Q. At the time of the settlement, were the milk shippers treated in the same manner as the shareholders?—A. In about the same manner. I know that, at the time, the organization was composed of 184 interested parties, I believe, who had an active share in the Company and who all wanted to ship their milk. As there was too much milk for the distributors, the greater part of it was skimmed. The shippers were too numerous in comparison with the number of distributors and the Company paid too high a price for the milk, which it was unable to resell at a profit.

Q. Mr. Chartrand, when you were in the employ of this milk producers' company, you were receiving a salary?—A. Yes.

Q. You know what you are talking about, then?—A. Yes, at the beginning, certainly. I was not with them till the end. At the time of the failure I was no longer connected with them.

Q. Are you aware that other companies in Montreal of about the same kind—milk distributing companies—have failed since then?—A. Yes. I do not know how it happened. I know that the Lachine Company failed, that Mr. Legault, of Pointe Claire, failed, and other small dairies as well, such as the Victoria.

Q. If any inference is to be drawn, it is that in Montreal it is simply a matter of organizing a company, selling shares to the public, spending the money, and then going out of business.—A. In that connection I must say that the object has not always been an evil one. I know that many organizers have lost heavy sums without their being anything dishonest about their operations.

Q. Now, Mr. Chartrand, you have said that your milk cost you 15·5 cents a gallon?—A. Yes.

Q. That was the price to the farmer?—A. Yes.

Q. You also stated that you had paid an average of \$1.39. I do not want to put you in a bad light. My reason for asking you that is that I want some information about this 15·5 cents a gallon.—A. I wish first to point out to you that we have had to buy some of our milk from another company. Our supply being insufficient, we had to purchase from Mr. Clouatre, of Henryville, 13,933 pounds, which cost us \$1.60 per 100 pounds. This naturally increased our price. That explains the difference between the figure I give and the Associations' price, \$1.39. When I say that our milk cost us 15·5 cents a gallon, I say that that price was paid to the farmer, as we had to buy some at a higher price and that is why it cost us 15·5 cents per gallon.

Q. Who is Mr. Clouatre? Does he own a butter factory?—A. He holds a permit from the City to ship milk and he is equipped for that purpose. Nearly all the Montreal dairies receive milk from him. He travels regularly every day.

Q. Is he not one of the bootleggers of milk?—A. No, we have never had any complaints. I inquired at the City Hall and found out that he complies with the by-laws. He has a permit to buy milk.

Q. I do not wish to mention names; that would be indiscreet. But I am informed that certain individuals dealing in milk have a licence to deliver milk. I understand that there is one in the Town of St. Johns, and others elsewhere, who go in at the same time for bootlegging at night. Supposing your Company needs one hundred cans of milk. He goes to the farmers and gets that milk

from them. He sells it to you or to other companies and delivers it to you during the night at the price agreed between him and the dairies. . . .—A. As to that, I do not believe. . . .

Q. You have no knowledge of that having been done?—A. No, because Mr. Clouatre is obliged to place on each can a label bearing the name of the person who supplied the milk, and the company itself is obliged to report each day the names of the persons from whom it received shipments of milk through Mr. Clouatre.

Q. Those are City by-laws?—A. Yes.

Q. In spite of the City by-laws you must know that bootlegging of milk is being carried on in Montreal?—A. Probably, but I do not think it is done by Mr. Clouatre.

Q. What reason do you advance for paying a higher price to Mr. Clouatre than to the farmers?—A. He naturally takes advantage of the fact that the Company needs his milk to exact a higher price. It suited us better to buy from him than to take a surplus of milk from the farmers and to be obliged to skim it. However, we have always paid to the farmer the price agreed upon. That made a considerable difference, but it was better, as the average would have been lower. As you are aware, in the milk business a larger supply is required in certain weeks than in others and it is better to maintain a reasonable average. Some weeks a certain number of thousands of pounds are required, and at other times business is poorer.

By Mr. Bertrand:

Q. In your first company, La Laiterie des Producteurs, Incorporée (Producers Dairy, Inc.) you were on salary?—A. Yes, sir.

Q. What was your salary?—A. It has always been \$20 a week as it is now.

Q. Do you mean to say that your entire salary in any organization has never been higher than \$20 a week and that that is what you are earning at present.—A. Absolutely.

Q. You have never received a higher salary in any association you have organized?—A. I have never been paid by the associations. It is the salary I have received from the companies as I have just proved it.

Q. Who is president of the present company?—A. Mr. Raoul Leonard.

Q. What is Mr. Leonard's salary?—A. \$40 a week.

Q. Has that company any directors?—A. Yes, sir.

Q. How much are they paid?—A. Not a cent.

Q. Is there a secretary?—A. Yes.

Q. Who is he?—A. Mr. Antonio Leonard. He gets \$19, but only since 15 days. He formerly got \$16.

Q. Can you explain to the committee how it is that Producers Dairy Incorporated has suffered such heavy losses, including \$35,000, which, according to your statement, was supplied by the provincial Government, and \$60,000 supplied by the farmers, apart from the investment of the organizers themselves?—A. I may say that I was connected with that company for a short time only. I did not like its organization or its administration. It seemed to me that it was misdirected and that its officials lacked the necessary knowledge of the business.

Q. Who were the officers of that organization?—A. At the time there was a Mr. Matte, of St. Therese. He was the manager and received a regular salary.

Q. Of how much?—A. \$40 a week. The secretary was Mr. Moise Bassette, of St. Johns.

Q. What was his salary?—A. \$35 a week.

Q. Who was president of the company?—A. Mr. Pierre Trahan. He received no salary.

Q. The first organization had approximately how many employees?—A. Probably 45 in all, at the time, including delivery men.

Q. How long did it take to make these losses and lead the company into insolvency?—A. About three years.

Q. The company operated three years and became insolvent?—A. Yes.

Q. How much returned to the farmers on their shares?—A. Nothing.

Q. It was a total loss?—A. As regards the shares.

Q. You said that \$35,000 had been loaned by the provincial government and left on condition that the shareholders should receive part of the money?—A. Those who had money owing to them for milk; that sum was to be used to pay part of what was due for milk.

Q. Do you know what amount, over and above the \$35,000 used to pay part of the debt due to producers for milk, was lost by farmers in the organization, and when they were paid?—A. For their milk?

Q. Yes.—A. I cannot say, but the amount is fairly high.

Q. Can you say approximately how much?—A. I should think certainly \$50,000.

Q. Or thereabouts?—A. Yes.

Q. Over and above the \$35,000 of the Province and the \$60,000 of the shareholders?—A. Yes.

Q. How much had been subscribed by shareholders other than farmers?—A. The by-laws provided that no one could hold more than \$500 in shares, in order to equalize holdings and prevent having large and small shareholders.

Q. Apart from farmers, how many persons had subscribed?—A. About forty shareholders were not farmers.

Q. How much did they lose?—A. Their loss ranged from \$500 to \$100.

Q. Have you the approximate amount that these people lost?—A. No. It must be from five to six thousand dollars, perhaps seven to eight thousand dollars.

Q. The organizers lost from five to six thousand dollars in your organization, while the milk producers lost \$60,000 in shares and \$50,000 in produce?—A. If I understand rightly, you speak of organizers, but it is the farmers who joined together to form this company. The organizers sometimes visited the villages and called on the merchants or the bakers and these people bought shares to help the agricultural class.

Q. They were holders of shares?—A. Yes, apart from the producers.

Q. Now, in the second organization, I understand that the farmers lost a further \$16,000 in shares?—A. Only \$8,000 had been paid up.

Q. You sold in all \$28,000 of shares?—A. Yes.

Q. And \$12,000 was lost in addition to that?—A. The farmers who each had a \$100 share lost it.

Q. But there is a difference of \$12,000 between the \$16,000 and the total subscription of \$28,000?—A. My father and other persons held a certain portion.

Q. How much of the \$12,000 was paid up?—A. Not a single one was paid up.

Q. Therefore, the \$12,000 subscribed was not paid up by anyone else but the producers, and the total loss fell on the producers?—A. Yes.

Q. To what amount?—A. As I said just now, I think it is 16 or 17,000 dollars—I do not think it is as much as that—perhaps \$10,000 at the most.

Q. How long was that company in operation?—A. From September 1, 1931, until the failure, the following year.

Q. How many years does that make?—A. One year.

Q. Consequently, in the course of one year, the farmers lost \$8,000 in paid-up shares and \$10,000 in produce?—A. Yes.

- Q. Who was the president of that association?—A. I was, at that time.
- Q. Who was the secretary?—A. Mr. A. D. Savageau.
- Q. At what salary?—A. \$30 a week.
- Q. Your salary, as president was \$20 a week?—A. Not at the beginning.
- Q. Afterwards?—A. I was mistaken when I stated just now that my salary was always \$20 a week; I received \$30 for a few weeks only.
- Q. Who were the officers in receipt of a salary?—A. Mr. Antonio Leonard.
- Q. The same Antonio Leonard you mentioned a moment ago?—A. Yes.
- Q. What was his salary?—A. \$30 a week.
- Q. That being so, what reason do you advance for the losses suffered in the space of one year?—A. There are many. Buildings, horses, wagons, etc., cost some \$72,000 and we lacked sufficient funds to meet notes falling due at the bank.
- Q. And you thereby became insolvent?—A. Yes.
- Q. Did the shareholders get anything out of the bankruptcy settlement?—A. No, nothing.
- Q. It was a total loss?—A. Yes.
- Q. Who got the buildings?—A. It is in the buildings that my father placed a larger sum in the second place.
- Q. Your father bought them in?—A. They were purchased by Raoul Leonard. My father lent him a large part of the money.
- Q. Therefore your father bought them?—A. No, it was Raoul Leonard.
- Q. Raoul Leonard bought in the buildings comprised in the bankruptcy of this organization in which he was supposed to have subscribed a large sum of money, nearly \$12,000, but not a cent of which had really been paid?—A. Absolutely.
- Q. Then, after the bankruptcy, your father bought in, through Mr. Leonard, a property in which he had not invested a single dollar in the first place?—A. My father did invest money in the first place.
- Q. You stated just now that the \$12,000, which was the difference between \$16,000 and \$28,000, had not been subscribed in the second organization.—A. Yes, by the farmers.
- Q. I asked you how much had been subscribed by others than farmers?—A. It is then that I said \$10,000 to \$12,000. My father had a portion of that.
- Q. That had been subscribed?—A. That had been subscribed and fully paid up.
- Q. Which organization is that? the second?—A. It is to the first organization that I refer at present.
- Q. The second organization?—A. My father did subscribe to the second organize.
- Q. How much did he subscribe?—A. \$12,000.
- Q. \$12,000, paid-up?—A. \$12,000 paid up.
- Q. How much was paid when he purchased the third organization, now known under the name of Star Dairy?—A. It is Raoul Leonard who bought it, for \$44,000.
- Q. He bought it back for \$44,000 with your father's money?—A. He bought it with my father's money. He invested some money in it.
- Q. Who owns the Star Dairy Company?—A. Raoul Leonard purchased the company.
- Q. Who are the shareholders?—A. I can give you their names. There is my father.
- Q. For what amount?—A. \$12,200.
- Q. Fully paid?—A. Fully paid. Raoul Leonard, according to the charter itself, invested \$100.
- Q. Who?—A. Raoul Leonard.

Q. Raoul Leonard invested \$100, according to the charter itself, which entitled him to shares, as in any other company. Miss Lucille Daignault, who secured the charter, and Joseph Saint-Onge.

Q. How much each?—A. \$100 for those. Then there was other stock sold, up to April 1, to the amount of \$6,000.

Q. To whom?—A. To Mr. Guindon, to Fernand Chartrand, who invested \$2,000 fully paid, and to Messrs. Lasalle, Lavoie, Boissard, Renaud, Gervais, Tetreault, and Prevost, who invested \$500 each. These men are milkmen. Their shares amount to \$3000 and are paid.

Q. All these are producers?—A. No, they are milkmen who get their milk from us.

Q. They are distributors who take their milk from you?—A. They are distributors who take their milk from us.

Q. The last named organization operated at a loss?—A. It operated at a loss for the first two months.

Q. You are speaking of the last organization, the Star?—A. The Star. I will show you by the figures that from October 5 to January 1, the company lost \$947, and that from January 1 to March 1, it made a profit of \$1,743.55.

Q. How long have you been in the dairy business?—A. I have always been a farmer. I have always followed dairy matters rather closely. It is when I organized the Milk Producers' Association that.

Q. How many years have you been in business for yourself or been interested in a company doing business with milk distributors?—A. Some time after I left the Milk Producers' Association, I organized, in 1931, the Northern Farmers' Dairy (*La Laiterie des cultivateurs du Nord*) 1930, 1931, 1932.

Q. You had not been engaged in milk distributing prior to that date?—A. No.

Q. You have been engaged in milk distributing only since 1931?—A. Since 1931.

Q. What are the Company's present buildings worth?—A. The balance sheet gives them a value of \$66,875.52.

Q. On which you owe how much?—A. The total balance due is \$29,000.

Q. Did your father, who had invested \$12,000 in the second organization, reinvest \$12,000 in the third organization?—A. \$12,200, paid up.

Q. Making an investment of \$24,000, or is that shares?—A. No, the shares were not counted in the second place; it is new capital.

Q. For the \$24,000 invested by your father in that company, you have to-day a dairy valued at—?—A. \$66,875.52.

Q. On which you owe a balance of \$29,000?—A. \$29,000.

Q. Including the money you owe to your father?

WITNESS: The liabilities of the first?

Q. No, the \$12,000 subscribed by your father?—A. Besides the \$12,000, we owe now \$29,000.

Q. The L'Etoile Dairy Company owes \$29,000?—A. Yes.

Q. Any other liabilities?—A. Only those comprised in the \$29,000. Certainly they owe money.

Q. To whom do they owe the \$29,000?—A. I have here the balance sheet showing the liabilities, prepared by a chartered accountant. There is a first mortgage of \$12,000.

Q. Who are the mortgagees?—A. Les Clercs Saint-Viateur.

Q. Go on?—A. There is a mortgage with accrued interests on all the plant.

Q. Who are the mortgagees?—A. The Trudel Company.

Q. How much?—A. Three thousand dollars were paid recently. I am giving you the financial statement as at December 31. It is as at December 31, I want it to be clearly understood.

Q. How much do you owe to the Trudel Company?—A. Twelve thousand odd. A payment of \$1,000 was made yesterday.

Q. Who are your other creditors?—A. We still owe \$400 on a truck, the balance—

Q. The balance is a surplus for the company?—A. —

Q. Then, all those reorganizations gave you assets worth \$66,000?—A. \$66,000.

Q. On which \$29,000 remain to be paid?—A. On which we owe only \$29,000.

Q. And the surplus is for the present credited to the owners? Who are the present shareholders?—A. I gave you their names.

Q. Name them again?—A. First of all my father, Raoul Leonard; Lucille Daignault; Saint-Onge; myself; Guindon; Fernand Chartrand, a cousin of mine, who invested \$2,000, paid in. A Mr. Lasalle, a Mr. Lavoie, a Mr. Bois-sard, and Messrs. Renaud, Gervais, Tetreault and Prevost.

Q. How much have those people invested?—A. \$15,500.

Q. \$15,550?—A. \$15,550.

Q. Then, with liabilities totalling \$20,000, plus subscribed shares to the amount of \$15,000, a total of \$44,000 due by the L'Etoile Dairy Company, you have a surplus of 20,000 odd dollars?—A. Yes.

Q. Which means a loss to the farmers in the first reorganization, but you built, you expanded, you failed, you caused a loss to the farmers, to the milk producers, to the shareholders; then you reorganized the company, made a new start, failed again and to-day you have a surplus of assets over liabilities of \$22,000 for the benefit of the shareholders you just named?—A. If I understand well, when you say I have organized my business, failed, reorganized again, failed again—

Q. I said the companies, the organizations, I did not say you, I have named nobody. And you have to-day a surplus of \$20,000, after all those reorganizations, for the benefit of those you named a moment ago?—A. For the benefit.

By Mr. Gobeil:

Q. Mr. Chartrand, no milk producer is shareholder of the present organization?—A. None.

MR. BERTRAND: I would ask Mr. Chartrand to furnish the clerk with a copy of his financial statement.

GERALD DESJARDINS, called and sworn.

By Mr. Moore:

Q. What is your address?—A. The address of the company I represent is 6750 Garnier street.

Q. Are you president of a company?—A. No, I am only general manager of the Ferme Saint-Laurent Limitee.

Q. Have you anything to say before answering questions?—A. I would point out to the Committee that our dairy is entirely different from those already examined here, because we have no personal run. We buy milk for our shareholders who, in turn, deliver it for their own account. We only charge them for pasteurization and we buy as many gallons of milk as we need, which we sell with a pasteurization charge varying little throughout the year. We are a limited company with an authorized capital of \$85,000, of which only \$24,000 is subscribed, divided into \$12,000 of common shares and \$12,000 of preferred shares. Each one of our 48 shareholders subscribed \$500 and owns a milk run. Each one of our shareholders is also a milkman and owns shares to the amount of \$500, no more, no less, in the company. Our dairy is managed

by a board consisting of the president and six directors—a vice-president and five directors—authorized to order the transaction of the company's business through me as general manager. Any questions?

By Mr. Bertrand:

Q. Mr. Desjardins, how much are you charging to those milk distributors who are shareholders?—A. The charge varies as occasion requires. The average charge for pasteurization is now 5 cents.

Q. 5 cents per....—A. 5 cents per gallon for pasteurization. That is, we buy our milk at the purchase price. Our milk is bought at \$1.35, \$1.50 or \$1.60 according to the month of the year, and we charge our dealers 5 cents for pasteurization; the price of our milk is thus 18 cents per gallon.

Q. Do you buy that milk....—A. We buy that milk direct from the rural distributors.

Q. You buy from your shareholders only?—A. No, we buy from rural producers and we distribute the milk to our shareholders.

Q. How much do you pay for your milk?—A. In January, 1932, \$1.55; in February, \$1.55; in March, \$1.55; in April, \$1.15 the hundredweight. In May, June, July and August, \$1.10; in September, \$1.15; in October, \$1.25; in November, \$1.35; and in December, \$1.60.

Q. The cost of transportation is left to the farmer?—A. Yes.

Q. Have you a surplus of milk?—A. At the present time, each one of my customers is notified, is free to keep the surplus. He is notified for Christmas, New Year's Day and for the three months period from April to June, and for July in years when there is an over abundance of milk; he is notified to keep the surplus or sell it at skimming prices.

Q. You have given your prices for 1932. Could you tell what was your surplus for 1932?—A. In 1932, we had a surplus of 5 and 4 per cent for skimming.

Q. How much did you pay for it?—A. On January the 1st, the customers had to keep their milk. On a quantity of 5,000 gallons, there was only 3,600 gallons for January. They were paid at the time \$1 for the surplus. For May, June and July, they were paid 75 cents for the surplus.

Q. Was there a surplus during the other months?—A. In August, September and October, I had a monthly surplus of about 600 gallons.

Q. You said that you charged 5 cents per gallon and that includes pasteurization?—A. Those are all our dairy expenses.

Q. You charge 5 cents per gallon for all operating costs?—A. We charge 5 cents per gallon for all the operating costs of our dairy.

Q. You charge that for buying milk, to pasteurize it....—A. To buy milk, to pasteurize it, to resell it to our dealers.

Q. As well as to place it at the disposal of your 48 shareholders each owning shares to the amount of \$500, and upon a capital of \$85,000 only \$24,000 have been subscribed, \$12,000 in common shares and \$12,000 in preferred shares?—A. Yes.

Q. How much was paid on the preferred shares and what is the amount per share?—A. The amount is equal on the \$24,000 worth of shares. On January 1, 1933, the balance was only \$1,628; that would represent \$814 per common share and \$814 per preferred share.

Q. You are mistaken in saying \$814. There is due \$814?—A. Due.

Q. What is the value of a preferred share?—A. \$25.

Q. At par?—A. Yes.

Q. And the common share?—A. \$25.

Q. And what is its value at par?—A. At present, our shares were sold at the inception of the company. Our dealers had to take \$500 worth of shares for entitlement to shareholders' terms and prices. He was told this: "Take \$500

worth of shares." Originally, as we necessarily needed money, they were given a discount of \$100, and since a year and a half we charge a premium of \$100 for the \$500; we charge \$600 instead of \$500.

Q. Does that apply to the common shares?—A. That applies to the preferred as well as to the common shares.

Q. Then, the common shares are worth \$25?—A. Yes, Yes.

Q. And the preferred shares, \$25?—A. Yes.

Q. What were your operating profits last year, 1932?—A. \$8,763.19.

Q. Including the profits left after deduction of operating costs?—A. Yes.

Q. Was that amount distributed among the shareholders?—A. No.

Q. Where does that money go?—A. It is accumulated, as we shall have to expand and repair. Then, in view of the necessary repairs, the profits are accumulated each year. After five years, the accumulated surplus amounts to \$17,484.62.

Q. Have you paid dividends on your shares since your inception?—A. No.

Q. Never?—A. Never.

Q. To nobody?—A. To nobody.

Q. Please give me the names of the board members?—A. The board consists of the president, Mr. Lecavalier.

Q. What is his salary?—A. \$50 per year. The vice-president, Mr. Tessier, \$100 per year, because he also signs the cheques. Next come the directors, all at \$50 per year: Messrs. Eugene Gervais, D. Morrisette, J. Carriere, Paul Toupin and R. Jette.

Q. \$50 per year?—A. \$50 per year, except the vice-president, who draws \$100 on account of extra work.

Q. And your secretary?—A. I am the secretary.

Q. What is your salary?—A. \$1,950 per year, in monthly payments. I am secretary, manager and accountant.

Q. You gave me a moment ago the prices you paid for your milk in 1932?—A. Yes.

Q. Would you tell me how much you sold that milk?—A. It is sold to our dealers with a five cents charge for pasteurization.

Q. Do you know how much these distributors sell their milk per quart?—

WITNESS: At the present time?

Q. In 1932?—A. In 1932, competition set in during the last year. There are all sorts of prices. There is no regular price in the city. We are unable to fix a price. The dealer owns his run and may sell for the price he wants. We try to keep him as much as possible within bounds in order to safeguard our trade. However, they may sell milk at 20, 21, 22 cents per gallon, and, in private, up to 8, 9, 10 and 11 cents per quart.

Q. Your working expenses are 50 cents per hundredweight of milk, or 5 cents per gallon?—A. Yes. I do not say that they are fixed expenses. They vary as occasion requires. All the shareholders are interested. It is easy for us, whenever it is necessary, to charge 5 and 5, or to charge 5, or to charge 4 and 8.

Q. What do you mean by 5 and 5?—A. 5½ or 4½.

Q. 4, 5 or 4·8 according to your expenses?—A. Yes.

Q. Milk went down in price on February 27 or thereabouts, this year?

WITNESS: In 1933?

Q. In 1933.—A. Milk went down in price. During the first year of February, we paid \$1.35, unskimmed.

Q. And you always resell with the same proportionate charge to your distributors?—A. At \$1.35 per hundredweight, milk is sold at nearly 14 cents. The shareholders paid 19 cents.

Q. Are you operating at a profit since the price of milk went down?—A. Yes, because the margin remains the same. The dealer's profit is certainly much reduced.

Q. Do your distributors complain?—A. Yes, a great deal. At the present time, we complain ourselves because our shareholders' accounts have increased by at least 20 per cent during the last three months.

Q. What do you mean by "your shareholders' accounts?"—A. Our dealers owe us at the present time about 20 per cent more than at December 31.

Q. If you fear the inability of your dealers to pay their accounts, do you think your price to the producers will be reduced in consequence?—A. Our expenses remain the same. Our dealers, as well as the producers, need help. If the producer drew more and if milk were selling at a higher price, proportions would be kept and the milk dealer could operate at a profit.

Q. I understand you kept your margin of 5 cents. On the other hand, in order to help your distributors honour their accounts with you and in order to protect yourselves on that account, do you think it will be necessary to reduce again the price of milk to your producers?—A. If conditions remained the same, such a course would be absolutely necessary in order to reduce the price of milk to the dealers.

Q. What is your estimation of the reduction the producers will suffer?—A. At least 2 cents per gallon.

Q. That means 20 cents per hundredweight?—A. That takes an average run of 60 gallons.

Q. How much do you pay?—A. We paid \$1.25 unskimmed during the first part of March.

By Mr. Bouchard:

Q. Do you mix all this milk together? You do not take into account the percentage of fat in the milk?—A. We do not pay according to the percentage of fat. However, we do take it into account, because we observe the by-law fixing the percentage of fat at 3.5. If a producer does not bring in milk according to the by-law, he is warned to improve the quality of his milk. The average at the present time hovers around 3.5.

Q. Do you also sell cream?—A. We also sell cream, but even if the milk is below average, it is sold as received. If it contains 3.7 per cent of fat, it is sold with 3.7 per cent of fat. If it is received at 3.5 per cent, it is sold at 3.5 per cent.

Q. Do you think it fair for all the producers to receive the same price? Are those people owners of cows of the same breed? Is the milk of a reasonably uniform quality?—A. It would be better, even for dairies, to pay milk according to the percentage of fat, because the quality of milk would be improved. However, it would mean extra work and extra expenses for certain dairies. Our present state of affairs forbids us any extra expenses.

Q. Would not the producers, the farmers, prefer to be paid according to the percentage of fat? Have they not sent in a request to that effect?—A. Certain dairies pay according to the percentage of fat. It would be necessary to "test" every day, and the testing of the milk from 350 producers would keep three, four or five men busy.

Q. You could take a sample every day, or every week, every fortnight?—A. It would not be fair to the farmer. To-day the milk may contain 3.5 per cent of fat, and to-morrow only 3 per cent.

Q. If he brings in about the same quantity of milk and if you take a sample every day and make a weekly test, the milk would keep well. Such is the method generally followed in the butter factories.—A. The accumulation for seven days would amount to about 25,000 bottles.

Q. Each producer would have his bottle in which you would put a small sample taken every day.—A. It would be necessary to keep the milk eight days.

Mr. MOORE: Milk keeps for eight days.

By Mr. Bouchard:

Q. Such is the method followed in the factories. They even keep it fifteen days. They put a pastil of bichloride of mercury in the milk and it keeps very well. Do you not think that would encourage the dairy industry, our farmers to improve their stock?—A. The customer would benefit in certain cases. On the other hand, at certain periods of the year the customer is unable to furnish the required quality. If his milk tests 3.3 in April and if he is paid the same price—milk testing 3.3 would be of no use to us; we warn him: "Have better milk". He is paid the same price as if his milk tested 3.5. The farmer would be losing then and making up when his milk is too rich.

Q. If the farmer had a herd producing milk of 4 per cent fat and if he skimmed some of the cream to sell it, and I do not see why he would not do it, if you pay the same price for all the milk?—A. If he skims the milk the density will show it.

Q. If he skims a small percentage of it?—A. Perhaps, if he only skims a small percentage of it.

Q. If he does it in a scientific way?—A. Yes.

Q. You would not notice it, would you?—A. No.

Q. I consider the system to be unjust. Of course, if all the producers are satisfied. It seems to me it would not be an encouragement to the production of good milk. The aim is to have herds giving the richest milk possible. On the other hand, I do not think it would be fair to the consumer who is always asking for the richest milk possible. I consider it would be unfair to both.

Q. How do you control the quantity of fat in the milk you receive and the handling of that milk? And when you are sold richer milk, what prevents you from skimming it to some extent, so long as you have the minimum required?—A. The by-law of the city of Montreal checks us. The inspectors come when least expected. The better the quality of milk served to our customers, the better satisfied they will be and we will profit by it.

Q. What is the disparity? On every dollar paid by the consumer to the milk distributor, what percentage goes to the farmer? You charge 5 cents per gallon for pasteurization. Besides that, what is the approximate amount of the distribution costs?—A. I have not the exact figures of the distribution costs.

Q. You have not the average?—A. Except the average of my principal milkmen for a run of so many gallons. . . . of course, the price goes up according to the number of gallons sold. If the milkman sells 100 gallons of milk the delivery costs will be much less than if he only sold 60 gallons. But the average run is 60 gallons. On a run of 60 gallons, the delivery costs amount to 12½ cents.

Q. Twelve and one-third cents plus 5 cents, that is 17 cents. And what do you pay for the milk?—A. Thirteen cents a gallon at the present time, in the country.

Q. When the milkman has milk left over, what does he do with it?—A. He brings it back, and we skim it and make butter.

Q. What do you give for that milk?—A. We only allow them 7 per cent. Our milkmen have experience and they seldom bring back more than 2 or 3 per cent of their quantity.

Q. Do you pay for it according to the quantity of fat?—A. No, we reimburse his money.

Q. For the total quantity?—A. Yes, we skim it. In order not to be short of milk we have to buy a surplus of 200 or 300 gallons every day. Those 200 or 300 gallons that they take in the morning they bring back at noon.

Q. Do your distributors compete with one another?—A. Our shareholders do not compete with one another because we control them, we protect them, and we make them understand that if they take a customer away from Paul, Paul will take one away from them.

Q. They do not compete as to prices either?—A. We are in business; we have to fall in line. They may perhaps do it sometimes, but I do not know.

Q. They are responsible to the company for. . .?—A. All our shareholders are milkmen of at least 8 years in business. At least 90 per cent have been in business 8 or 10 years. They have established runs and they do not compete dishonestly to destroy another's business; they only endeavour to keep their customers. We have to make sacrifices, to sell very cheap, hoping to make up later.

Q. Each shareholder is at liberty to make his own price, to sell his milk at his own price?—A. He fills his wagon, buys his milk; it belongs to him, and we cannot tell him "Do this, do that."

Q. Are the profits distributed to the shareholders in proportion to the quantity of milk they buy or on the basis of their share of \$500?—A. No. So far, the profits of the company have accumulated and it will probably be so for 3 or 4 years more, to meet anticipated expenses. Each shareholder who has subscribed \$500 with us is interested in buying his milk from us, because we sell it to him cheaper than the others. He does not draw any dividend.

Q. They are all on the same footing; they all have subscribed the same amount, but if one sells double the quantity of another, he contributes to a larger extent to the profits of the company.

Q. Is there some kind of a rebate? Will that be taken into account when the profits are distributed?—A. No, but if he buys 100 gallons from us and pays, presently, 18 cents, while he would pay 19 cents elsewhere, he saves one cent per gallon, or one dollar. If he buys 50 gallons, he saves one cent also, 50 cents on the quantity.

Q. Do you believe that to be the ideal system?—A. It is a kind of co-operative organization.

Q. In what way?—A. They are all shareholders who have invested their money and who share in the profits and who pay less than elsewhere for their milk.

Q. There is no co-operative feature in that?—A. They are a group.

Q. In a co-operative organization it is not the capital that earns the profits; Man is the capital, the human capital. In co-operative organizations stock, money is not the main thing. In your case, it would be a co-operative organization if you paid your distributors in proportion to the milk distributed.—A. But, because of the fact that they profit in proportion to the quantity of milk they buy, is it not the same thing? If the milkman bought 200 gallons elsewhere and paid two dollars more for it, are we not allowing him a saving of two dollars?

Mr. BOUCHARD: Yes, but you cannot call that a purely co-operative system.

By Mr. Gobeil:

Q. Mr. Desjardins, I want to ask you a couple of questions in order to get a little more detailed information. I think a number of members of the Committee are interested in your system. Is the committee to understand that everyone of your shareholders is a milk distributor?—A. Yes. But that does not preclude us from having a few other contracts. 48 shareholders own 58 wagons out of 65, 67 or 68.

Q. How long has the company been in operation?—A. Since 1927, date of the incorporation.

Q. You are the secretary and you look after the whole business; you are the manager?—A. Yes.

Q. You get your instructions from your shareholders who are at the same time the distributors?—A. Yes 7 shareholders chosen among the distributors are the directors, the board of directors who meet when necessary, when I call them.

I call them every two weeks, every month, every two months; they attend the meetings. I say: "I want such a thing." "Buy it." If the amount does not exceed \$1,000, I act on my own initiative. I think that has been changed; I do not remember the exact amount.

Q. That is immaterial, anyway; it is a thing to be decided between yourself and the shareholders. You said a moment ago that you charge 5 cents on all the milk you handle for the first stage of your operation. The Committee has asked of several witnesses what they considered a fair charge for pasteurization in order that the Committee might know the cost to the consumers of the by-laws of the city of Montreal, so that the consumer might say: "I pay so much, but there is something else, there is a percentage, there is a cent or two that I pay for better milk because of the processes it undergoes." What do you consider a fair charge for pasteurization, pure and simple, of milk?—A. That is hard to say. That depends on the machines and the building one may have. I pasteurize 4,500 gallons daily.

Q. Could you pasteurize more?—A. No.—Presently I only have space for that quantity. My pasteurization plant, outside of the machines, the building alone, costs me \$31,000. I have \$44,000 worth of machines. If I had \$200,000 worth of machines I could pasteurize more milk.

Q. If you had \$200,000 worth of machines you could pasteurize a larger quantity of milk?—A. Modern machines cost very much. For instance, I have a machine to wash bottles. I am putting one up that will cost me four times as much as the first. My pasteurization costs may go up to 5·5 cents.

Q. What do you consider to be your costs of pasteurizing milk?—A. I think that with 5½ cents a gallon....

Q. You must be mistaken. You charge 5 cents, and that covers your buying and handling costs. I would like to know what are your costs of simply pasteurizing a gallon of milk.

The WITNESS: Presently?

Q. Presently?—A. Approximately 5·1 cents.

5·1? You must certainly spend money for buying milk, handling cans and managing your business.... A. I am not paying for that. I take the milk as it comes from the country, in cans, I pasteurize it, I put it in bottles and the next morning I have it delivered to the milkmen by my men. All that costs me 5 cents.

Q. You make profits, in the first place, and you have bottling?—A. If, with \$8,000 profits, divided by twelve, which gives you about \$700 a month, if you can manage with less....

Q. If my memory serves me right, some witnesses left us under the impression that 2 cents a gallon cover pasteurization costs?—A. In my pasteurization costs I include management, bottling, handling and delivery costs.

By Mr. Moore:

Q. But for pasteurization only?—A. For pasteurization only; I have not the figures.

Q. For pasteurization only?—A. Yes, for pasteurization only; I have not the figures.

Q. Approximately?—A. I would say approximately 2 cents, I figure 1·8 cents, but I would not say that those are the exact figures; I have worked that out hurriedly.

By Mr. Bouchard:

Q. In your 5 cents do you include the breakage of bottles?—A. Yes.

Q. That is charged to your company, not to the distributors?—A. Yes, the breakage of bottles, to the dairy. On the road, the distributor is responsible.

By Mr. Gobeil:

Q. Do you sell butter, Mr. Desjardins?—A. We buy some from wholesale houses and we make some; in 1932, about 400 or 500 cases.

Q. Could you tell the Committee how many producers you buy milk from?—A. About 340.

By Mr. Bouchard:

Q. Do you make buttermilk?—A. No.

By Mr. Pickel:

Q. Do you do your distributing?—A. No.

Q. They come to your plant and get it?—A. Yes, they come to our plant every morning and take their load, so much a gallon.

MR. PICKEL: Mr. Chairman, I would be glad if you would have these witnesses file a list of their producers, with their addresses.

By Mr. Moore:

Q. You have the list of your producers?—A. Our producers or our milkmen?

Q. Your producers?—A. No, I could send it to you.

By Mr. Bouchard:

Q. Are they your regular producers or do they change?—A. They are our regular producers who have been shipping to us since the establishment of the company.

Q. They are satisfied then?—A. According—

Q. There are not many complaints; they are satisfied to get a surplus; that must be profitable?—A. Presently, some might have cause for complaint; however, they are notified and they have no kick if there is a surplus of milk; they are all notified. We write to them: We are compelled to tell you to keep your milk on such or such a day; if you sent it to us it will be skimmed and paid for at that price. If they want to keep it, very well; if they ship it, so much the worse for them.

Q. Does the milk generally arrive in good condition?—A. We get no complaint on that account.

By Mr. Dupuis:

Q. Have you any distributors in the country of Laprairie-Napierville, in the south of Montreal?—A. I have some from Napierville, quite a number; I receive from Napierville about 500 gallons of milk per day.

Q. What is the name of that distributor?—A. The man who delivers it, Mr. Conrad Pierre.

Q. He goes to the farmers for the milk?—A. Yes.

Q. With a truck?—A. Yes, now he may have two or three trucks collecting the milk and taking it to the truck coming to the city; they have an arrangement between them, I do not know.

Q. You said you had surpluses in your company?—A. I said we have the farmers keep their milk on the days we are closed, on the 25th of December and the 1st of January, and besides each of our patrons is notified during the months of April, May, June, and sometimes July, to send us the same quantity of milk as in February. Now, if they want to send us a surplus, of course, we have to turn it into butter or cream.

MR. SPOTTON: I think this witness understands English very well.

THE WITNESS: A little bit.

Mr. SPOTTON: I know in Toronto some of our Jewish friends who do not understand English when you want some information they do not want to give.

The WITNESS: That is not the reason.

Mr. SPOTTON: Mr. Chairman, what I would like to get is this gentleman's honest opinion as to what, if I were a farmer and were taking a certain number of gallons of milk a day and supplied him with bottles, and he were to sterilize those bottles and pasteurize my milk and bottle it for me, would be a fair price per gallon or per quart for that. He has been saying that he gets five cents per gallon for the general mill run, and when he is asked how much a quart he says for pasteurization only, if he could disintegrate, take apart the overhead for the other business he is doing and charge it up to the other end of his business, so much for his plant and machinery which would be necessary in pasteurization, it should be less than five cents per gallon, but he makes it more, one and four fifths. I understand in Ottawa a farmer who supplies his own bottles and brings in his milk to the milk plants, that they pasteurize it for about one cent a quart, 35 cents for 32 quarts. What I would like to get is this, if you ran your pasteurization plant, and you had a reasonably steady flow of milk to pasteurize, what you could do it for. In the cost of pasteurization you have to charge part of the overhead, add the milk you buy and skim and all this, and I would like to get that, if our French brothers here would try to pull it out of this witness.

The ACTING CHAIRMAN: He understands English very well.

Mr. SPOTTON: If there is a dentist here.

Mr. DUPUIS: Mr. Chairman, I would like to tell the witness if he is not quite sure he understood all that Mr. Spotton said, he may ask for a translation of his remarks.

The ACTING CHAIRMAN: He understood everything.

The WITNESS: No. I understood the gentleman to say a certain farmer had his milk pasteurized at 4 cents a gallon?

The ACTING CHAIRMAN: No.

Mr. BOUCHARD: With your permission. No. He says that if a farmer asked you: "What would it cost me to have my milk pasteurized if I supplied the bottles?" Here, in Ottawa, the charge is 35 cents for 32 quart bottles of milk.

The WITNESS: That is a little more than one cent per quart? That would work out at 5 cents per gallon. Now, is that party responsible for the bottles that may be broken in the handling?

By Mr. Dupuis:

Q. The bottles belong to the party bringing the milk to the dairy.—A. Is the owner responsible for the bottles, if he breaks them?

Mr. BOUCHARD: Who is responsible for the bottles?

Mr. SPOTTON: I would presume the owner.

Mr. BOUCHARD: It would be the plant.

The WITNESS: The cost per gallon works out at 1 cent per bottle for breakage and bottles that are not returned. Thus, if the owner is not responsible for the bottles, that amounts to about 4 cents, for one would have to deduct the price of the bottles, that is the price the bottles cost us.

Mr. BERTRAND: I may state he says the cost of pasteurization in his plant alone is approximately 1.8 cents per gallon.

Mr. SPOTTON: He does not include the bottles.

The WITNESS: We had to deliver milk after; we have to wash bottles and we have to fill the bottle.

By Mr. Pickel:

Q. I thought you said you did not deliver the milk?—A. We deliver to the milkman; we deliver milk to the milkmen.

Q. You just hand it out the door?—A. Yes.

Mr. BERTRAND: It has to be bottled, that is all; 1·8 per gallon.

By Mr. Bertrand:

Q. You stated a moment ago that you charged 5 cents per gallon. Mr. Gobeil asked you to deduct your profits of \$700 per month and your other operating costs and you figured that it worked out at 1·8 cents per gallon. Then, your pasteurization cost is 1·8 cents per gallon according to your estimate?—A. Yes, at present, I must state that is approximate; I have not got the figures here.

Q. According to your estimate, the cost of pasteurization alone,—there is no question of bottles—is 1·8 cents per gallon?—A. About that.

Mr. SPOTON: Mr. Chairman, I want to thank the witness for giving us that last information. I have just one question, and then I am through. Supposing you had a number of farmers with a steady flow of milk, who had two sets of bottles—they would supply the bottles and they would be responsible for breakage in bottles—what could you sterilize those bottles and pasteurize the milk and bottle it for, you not to be responsible in any way for any breakage or leakage?—A. Yes, but now we are responsible. What are you asking for?

Q. What would be?—A. If we will not be responsible, what price we will charge, I don't know.

Q. I beg your pardon?—A. I don't know, we have to—

The ACTING CHAIRMAN: Figure that out.

The WITNESS: Yes.

By Mr. Moore:

Q. Could you figure that out for the Committee and send us the information?—A. The calculation—?

By Mr. Gobeil:

Q. Yes. Figure out the cost of sterilizing the bottles and pasteurizing the milk, and forward this information to the Committee.—A. The cost may vary with the machinery we use in washing the bottles.

Q. Figure this out for your company only. You stated a moment ago that you pasteurized 4,500 gallons per day, or about that quantity. Therefore, you can figure out the cost per gallon. Would you forward this information to the Committee?—A. To the best of my knowledge, yes.

Q. Suppose that I take 500 pounds of milk to your plant and ask you what it will cost to pasteurize and bottle this milk

By Mr. Bouchard:

Q. Can you pasteurize the milk separately?

Mr. GOBEIL: No.

Mr. BOUCHARD: If that is not possible, why put such a question and ask for these figures? (To the witness) You are asked whether this operation is possible; if I understand correctly, one party brings in 500 gallons of milk and another party comes to the plant with 300 gallons to be pasteurized and bottled separately. Is this possible with our present organization?—A. A customer who says: I have 500 pounds of milk, that represents about 50 gallons, he comes to my plant

Q. He goes to your plant and you give him back the same milk pasteurized and bottled. Is that possible?—A. We would do it on a contract basis, as we now do; we charge 1 cent per gallon.

Q. Is pasteurization a continuous process, or do you pasteurize each customer's milk?—A. No. All our milk comes in at different hours, from 8.30 o'clock until noon. We receive the milk in the forenoon. We receive 4,500 gallons. The vats are immediately filled. They have a capacity of 1,400 gallons. We pour 1,000 gallons into the tank. Reserve vats feed the tank as it gradually empties. All the milk is mixed together.

Q. Is it possible to pasteurize separately?—A. This is possible, but the cost of such an operation would be considerably increased.

Mr. ERNEST CHARTRAND: (The previous witness) That would be possible if there was a sufficient quantity. There must be, of course, enough milk to reach the mark indicated on the chart.

Mr. BOUCHARD: Then, I ask the Committee why put such questions if the thing is impossible in theory and in practice? Why ask the witness to figure this out if, in practice, the thing cannot be done?

Mr. GOBEIL: Here then, the thing is quite possible in practice if there was such a business; I understand Mr. Spotton's idea in outlining this kind of organization for the information of the Committee. It is impossible to take 500 pounds of milk from a certain customer and hand him back the same milk. This is similar to the milk skimming process. A customer brings in 500 pounds of milk, another 200 pounds; one will be given 500 pounds of bottled milk and the other 200 pounds of milk also bottled. Of course, this milk does not come from the same cows.

The WITNESS: We could not do that, even if you were to take all possible precautions; let us take four individuals each supplying 50 gallons of milk, we pasteurize 200 gallons, we cannot deliver 200 gallons.

Mr. GOBEIL: This can be easily determined, the average loss can be easily determined.

APPENDIX "B"

THE ST-LAWRENCE FARM, LIMITED

BALANCE SHEET AT DECEMBER 31, 1932

Accounts	Assets	Liabilities
Common shares.....	\$ 42,500 00	
Subscribed shares.....	11,800 00	
	<u>\$ 30,700 00</u>	
Preferred shares.....	42,500 00	
Subscribed shares.....	11,850 00	
	<u>30,650 00</u>	
Furniture.....	862 60	
Empty bottles—Invent. at Dec. 31, 1932.....	2,000 00	
Building.....	14,509 61	
Cans—Invent. at Dec. 31, 1932.....	80 00	
Notes payable.....		\$ 1,640 00
Bussiere, T.....	250 00	
Authorized capital.....		85,000 00
Heating—Invent. at Dec. 31, 1932.....	65 00	
Empty boxes—Invent. at Dec. 31, 1932.....	2,000 00	
Bottle tops—Invent. at Dec. 31, 1932.....	286 00	
Sundry creditors.....		12,689 48
Adjustment account.....		700 00
Sundry debtors.....	6,708 10	
Bank deposit—Est.—Maisonneuve.....	259 44	
Deposit—Est.....		0 85
Merchandise—Gasoline—Invent. at Dec. 31, 1932.....	100 00	
Gasoline equipment.....	847 77	
Realty—Lots, Garnier Street.....	5,814 04	
M.L.H. & P.—The City of Montreal—Deposits.....	180 00	
Machinery and equipment.....	44,013 44	
Merchandise—Invent.—Milk at Dec. 31, 1932.....	720 00	
" " Cream at Dec. 31, 1932.....	145 00	
" " Butter at Dec. 31, 1932.....	300 00	
" " Wyandotte at Dec. 31, 1932.....	25 00	
Reserve—Furniture.....		367 75
" Machinery.....		15,821 47
" Building.....		1,377 01
" Gasoline equipment.....		84 78
Surplus.....		17,484 62
Accounts payable, as per list attached.....		4,327 40
" receivable, as per list attached.....	3,501 98	
" " on shares.....	1,372 97	
Cash:—Cheques issued and not presented at the bank.....	\$ 13,538 36	
Less amount in the bank.....	\$ 5,932 30	
Less amount in hand.....	1,708 47	
	<u>7,640 77</u>	
		5,897 59
	<u>\$145,390 95</u>	<u>\$ 145,390 95</u>

SUNDRY CREDITORS

J. Cowan Chemical.....	\$ 50 00
Can. Ice Mach.....	5 06
Cherry Burrell.....	331 69
Century Coal Co.....	172 35
Carriere, J.....	50 00
De Laval, The.....	4 05
Excell Petroleum—Gasoline.....	106 70
" " Re-installation.....	209 40
Fortin, F.....	12 00
Guerin, Cousineau & Lortie.....	200 00
Hogue, A.....	47 70
Jette, R.....	50 00
Lambert Hardware.....	6 83
Linde Can. Refrigerator.....	200 00
M.L.H. & P. Cons.....	226 92
Mongeau & Robert.....	158 06
Millen Bros.....	10 30

SUNDRY CREDITORS—*Concluded*

Morrisette, D.....	\$	50	00
Purity Milk Cap.....		330	00
Reed, C. A.....		2	20
Trudel & Co., B.....		1,989	35
Toupin, P.....		50	00
Therrien, E.....		1	75
Tessier, C.....		100	00
St-Michel Dairy.....	\$	36	96
	\$	36	96
	\$	4,364	36
		36	96
	\$	4,327	40

ACCOUNTS RECEIVABLE

	On milk		On shares	
	\$	cts.	\$	cts.
Alarie, Z.....	138	27		
Brosseau, A.....			216	65
Charbonneau, H.....	188	92		
Desrochers, P.....			186	87
Detilly, R.....	164	70		
Diamond, J.....	243	58		
Forget, R.....			440	13
Foti, P.....	97	26		
Foisy, E.....	193	44		
Gaulin, H.....	121	61		
Gagnon, A.....	63	21		
Gervais, T.....	104	90		
Joannette, J. L.....	522	64		
Larivee, J. O.....	686	11		
Longpre, A.....	69	86		
Canadian Dairy.....	46	90		
Lecavalier, O.....	138	67		
Mercille, E.....	141	03	181	61
Mongeau, L.....			347	71
Pellerin, A.....	148	77		
Racette, H.....	119	54		
Renaud, L.....	149	94		
Tetreault, A. R.....	142	52		
Wray, C.....	60	11		
Lecavalier, E.....	\$	40	00	
	\$	40	00	
	3,541	98	1,372	97
	40	00		
	3,501	98	1,372	97

MERCHANDISE—OPERATING ACCOUNT—GASOLINE

Merchandise—Purchase of gasoline.....	\$	7,693	68
“ Sale.....	\$	7,703	53
“ Invent. “ at Dec. 31, 1932.....		100	00
Gross profit.....		109	85
	\$	7,803	53
	\$	7,803	53

MERCHANDISE—OPERATING ACCOUNT—MILK

Merchandise—Invent. cream at Jan. 1, 1932.....	\$	756	44
“ Milk purchased at Jan. 1, 1932.....	214,924	44	
“ Invent. cream at Jan. 1, 1932.....	100	00	
“ butter at Jan. 1, 1932.....	2,442	93	
“ Butter purchased.....	10,356	66	
“ Milk sales.....	\$	269,113	91
“ Cream sales.....	20,060	03	
“ Butter sales.....	21,191	15	
“ Invent. milk at Dec. 31, 1932.....	720	00	
“ cream at Dec. 31, 1932.....	145	00	
“ butter at Dec. 31, 1932.....	300	00	
Gross profit.....	82,949	62	
	\$	311,530	09
	\$	311,530	09

PROFITS AND LOSSES ACCOUNTS

	Losses		Profits	
	\$	cts.	\$	cts.
Meunier, P.—Cheque.....	54	10		
Messier, R. ".....	2	11		
Alarie, Z.—Copy of proceedings.....				2 50
Empty bottles.....	6,141	23		
Empty boxes.....	1,055	15		
Reserve—Furniture.....	86	26		
Insurance of employees.....	276	15		
" shareholders.....	578	52		
" sundry.....	70	60		
Reserve—Building.....	362	74		
Cans.....	210	83		
Empty bottles—exchange.....	329	59		
Bell Telephone.....	241	49		
Heating.....	3,293	42		
Organization expenses.....	182	64		
Bottle tops.....	4,090	37		
General expenses.....	3,582	07		
Discount—Bonuses and commission on shares.....	1,556	94		
Water, metered.....	2,618	05		
Fees—Barrister.....	200	00		
Ice.....	1,009	20		
Reserve—Gasoline equipment.....	84	78		
Income tax.....	142	52		
Rent—North.....	234	00		
" East.....	300	00		
Reserve—Machinery and equipment.....	4,401	34		
M.L.H. & P.—Light.....	167	74		
" Motive power.....	2,678	07		
Merchandise—Wyandotte.....	1,136	36		
Stationery.....	274	69		
Sundry permits.....	149	00		
Repairs to machinery.....	4,505	83		
" building.....	2,064	73		
Salaries.....	23,306	25		
Milk transportation.....	7,541	57		
Sundry taxes.....	744	50		
Blanchette, O.....	16	00		
Chartrand, F.....	48	85		
Jolicoeur, C.....	207	33		
Kaprovsky, L.....	305	63		
Marcovitch, A.....	50	00		
Martel, A.....	15	47		
Syrie, P.....	345	58		
Scheffer, S.....	16	50		
Tremblay, L.....	23	81		
Insurance—Beneficiary shareholder.....			450	00
Consumers Glass.....			620	11
Discount and interest.....			144	47
Premium on share.....			100	00
Benoit, A.—Difference on cheque.....			0	10
Foucault, Ad.—Cheque.....			46	68
Labonte, Ph. ".....			3	40
Mailloux, A. ".....			7	36
Poirier, A. ".....			31	11
Merchandise—Operating account—Milk.....			82,949	62
" " Gasoline.....			109	85
Net profit for the year 1932.....	8,763	19		
	84,465	20	84,465	20

Certified correct,

HORACE HOWISNY,

Chartered Accountant,

C. TESSIER, Vice-President.

E. LECAVALIER, President.

L'ETOILE, INC.

(Star Dairy, Incorporated)

BALANCE SHEET AT DECEMBER 31, 1932

Assets

<i>Current,</i>		
Cash on hand.....	\$ 664 84	
Cash in the bank "Special".....	340 68	
		\$ 1,005 52
Accounts receivable.....	\$ 9,768 19	
Salesmen's accounts receivable.....	1,503 94	
	\$ 11,272 13	
Less reserve for doubtful debts.....	6,956 50	
		4,315 63
Inventory of supplies.....		393 63
		\$ 5,714 78
Deposit Montreal Light.....		150 00
Bottles, boxes and cans.....		3,215 89
Deferred expenses.....		306 09
Customers.....		250 00
Fixed tangible assets.....		57,238 76
		<u>\$ 66,875 52</u>

Liabilities

<i>Current,</i>		
Overdraft—Royal Bank.....	\$ 1,584 30	
"Loan"—Banque Can. Nationale.....	200 00	
		\$ 1,784 30
Current accounts payable.....	\$ 1,085 92	
Owing to milk suppliers.....	2,356 01	
Accrued salaries payable.....	441 25	
		3,883 18
		\$ 5,667 48
Balance on machinery and equipment.....		13,517 96
Mortgages and accrued interest.....		17,482 50
Salesmen's deposits.....		279 00
Owing to directors.....		609 00
Reserves for bonds in circulation.....		85 74
General reserves.....		17,634 48
Paid-up capital 125 ordinary shares.....	\$ 12,500 00	
Less deficit.....	900 64	
		11,599 36
		<u>\$ 66,875 52</u>

SELECT STANDING COMMITTEE

L'ETOILE, INC.

(Star Dairy, Incorporated)

STATEMENT OF OPERATING ACCOUNTS AND PROFITS AND LOSSES
FROM OCTOBER 5 TO DECEMBER 31, 1932

Total sales.....		\$ 23,684 09
<i>Less Cost of Sales—</i>		
Purchases and supplies.....	\$ 14,671 89	
Labour.....	888 51	
Depreciation of machinery.....	366 63	
	\$ 15,927 03	
Less merchandise as per inventory.....	393 63	
		15,533 40
Gross profit on sales.....		\$ 8,150 69
<i>Less Selling Costs—</i>		
Expenses, trucks.....	\$ 1,136 83	
“ horses and rigs.....	1,031 28	
Advertising.....	3 00	
Sinking fund reserve, trucks, 5%.....	75 00	
“ horses and rigs, 5%.....	156 25	
Salesmen's salaries and commissions.....	3,623 17	
		6,025 53
Net profit on sales.....		2,125 16
<i>Administrative and General Expenses—</i>		
Insurance.....	\$ 287 50	
Salary, office and audit.....	443 31	
Office expenses and stationery.....	76 75	
General expenses.....	7 89	
Organization expenses.....	122 29	
Upkeep of buildings.....	103 90	
Light and power.....	500 51	
Salary, administration.....	874 68	
Water rates, municipal and special taxes.....	174 00	
Telephone and telegrams.....	51 34	
Stamps.....	25 80	
		2,667 97
Gross losses for the period.....		\$ 542 81
<i>Administrative Financial Expenses to be Added—</i>		
Interests and bank charges.....	\$ 47 83	
Interests on mortgage.....	210 00	
Reserves for doubtful debts.....	100 00	
		357 83
Net losses for the period.....		\$ 900 64

L'ETOILE, INC.

(Star Dairy, Incorporated)

STATEMENT OF OPERATING ACCOUNTS AND PROFITS AND LOSSES
FROM JANUARY 1, 1933 TO MARCH 1, 1933

Total sales.....		\$ 20,665 0-
<i>Less Cost of Merchandise Sold—</i>		
Inventory to January 1, 1933.....	\$ 393 63	
Purchases.....	11,939 51	
Labour.....	703 55	
Depreciation of machinery.....	152 85	
	<u>\$ 13,189 54</u>	
Less inventory at March 1.....	631 63	12,557 91
Gross profit on sales.....		<u>\$ 8,107 11</u>
<i>Less Selling Costs—</i>		
Accessories.....	\$ 560 95	
Expenses, automobiles and trucks.....	268 60	
Expenses, bottles.....	219 12	
Expenses, horses and rigs.....	741 07	
Advertising and travelling expenses.....	12 00	
Sinking fund reserve, automobiles and trucks.....	50 00	
“ “ horses and rigs.....	106 00	
Salesmen's salaries and commissions.....	2,385 46	
		<u>4,343 20</u>
Net profit on sales.....		<u>\$ 3,763 91</u>
<i>Administrative and General Expenses to be Deducted—</i>		
Insurance.....	191 66	
Audit and office salaries.....	313 76	
Office expenses and stationery.....	11 77	
Organization expenses.....	14 35	
Maintenance of equipment and machinery.....	55 10	
Light, power and heating.....	512 38	
Salary, administration.....	531 07	
Water rates, municipal and special taxes.....	136 00	
Stamps, telephone and telegrams.....	39 33	
		<u>\$ 1,805 42</u>
Gross profit for the period.....		<u>\$ 1,958 49</u>
<i>Administrative and Financial Expenses to be Deducted—</i>		
Interest and bank charges.....	\$ 25 04	
Interest on mortgage.....	140 00	
Reserves for doubtful debts.....	50 00	
		<u>215 04</u>
		<u>\$ 1,743 45</u>

SURPLUS ACCOUNT

Net profit for the period.....	\$ 1,743 45
Less deficit at January 1, 1933.....	900 64
Surplus at March 1, 1933.....	<u><u>\$ 842 81</u></u>

SESSION 1933

HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

MINUTES OF PROCEEDINGS AND EVIDENCE

FRIDAY, APRIL 7, 1933

MONDAY, APRIL 10, 1933

No. 12

Reference,—Milk and Milk Products

WITNESSES:

Thomas Gamble, President and Manager, Central Dairy Ltd., Ottawa.
E. A. Cousins, President, Ernest Cousins, Ltd., Montreal.

Appendix "B"—Documents filed by Witness Cousins; Borden's Farm Products Co., Ltd., J.J. Joubert Limitee; Guaranteed Pure Milk Co., Ltd.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

FRIDAY, April 7, 1933.

The meeting came to order at 11 a.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bertrand, Bouchard, Butcher, Brown, Carmichael, Coote, Donnelly, Dupuis, Fafard, Gobeil, Goulet, Hay, Jones, Loucks, Lucas, McGillis, McKenzie, Moore, Pickel, Porteous, Sauvé, Senn, Shaver, Simpson, Spotton, Stewart, Stirling, Taylor, Thompson, Weese, Wilson, Weir (Macdonald).

The committee took under consideration the question of reducing the quorum from 20 members. It was pointed out that more frequent sittings would be necessary to cover the field of the investigation before the close of the Session and that the congestion of committee work generally would make further demands on the time of members of this committee.

In view of these circumstances it was felt desirable to reduce the size of the quorum and on motion by Mr. Spotton in amendment to Mr. Simpson's motion the Chairman was instructed to recommend to the House that the quorum be reduced to 12 members.

A general discussion as to procedure followed when it was the expressed sense of the meeting that witnesses, Cousins, Aird and Hogg be recalled and that witnesses (distributors) from Toronto, Hamilton and Ottawa be summoned.

The committee was informed that tentative arrangements had been made by the subcommittee to take evidence from delegates to the Convention at Ottawa next week of the Co-operative Milk Producers of the Prairie Provinces and British Columbia.

It was the sense of the meeting that the committee should meet more frequently, daily if possible; the subcommittee to take this into consideration and arrange for witnesses and meetings.

A. A. FRASER,

Clerk of the Committee.

HOUSE OF COMMONS,

MONDAY, April 10, 1933.

The meeting came to order at 3.30 p.m., Mr. Senn presiding.

Members present: Messrs. Barber, Bowman, Bouchard, Bowen, Boyes, Brown, Butcher, Carmichael, Fafard, Gobeil, Lucas, McGillis, Moore, Motherwell, Pickel, Porteous, Senn, Shaver, Simpson, Spotton, Stirling, Taylor, Tummon, Weir (Macdonald).

The clerk read the minutes of the last meeting which were adopted.

The clerk also read several communications from witnesses who had appeared before the committee, directing attention to necessary corrections in evidence submitted.

The chairman laid before the meeting a telegraphic message received by him regarding the calling and hearing of certain witnesses from points in British Columbia and the Prairie Provinces. Discussion followed resulting in the matter being referred to the subcommittee on witnesses.

Thomas Gamble, President and Manager of Central Dairy Limited, Ottawa, was called, sworn and examined.

Witness retired.

Mr. E. A. Cousins was recalled and submitted to examination. Witness retired to appear again at the next sitting.

The clerk was instructed to summons certain witnesses from Montreal to appear at the next meeting.

The meeting adjourned till Tuesday, April 11, at 3.30 p.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

APRIL 10, 1933.

The Select Standing Committee on Agriculture and Colonization met at 3.30 o'clock a.m. Mr. Senn presiding.

The CHAIRMAN: I shall ask the Clerk first of all to read the minutes of the last meeting so that the committee may be informed as to what took place.

Minutes read and approved.

Gentlemen, before we proceed with the witnesses, I understand the Clerk has a couple of letters from witnesses who have already filed statements asking that certain statements or corrections be made. I shall ask the Clerk of the committee to read the letters. The first one is from E. W. King, Secretary of the Eastern Dairies Limited, and reads as follows:

On April 3rd we forwarded to you schedules giving the Agriculture Committee certain information which they requested that we furnish. Through schedule number nineteen we notified you that during the months of January, February, March and April, 1927, the retail selling price of milk per quart was 13 cents and the purchase price of regular milk per hundred pounds \$2.41.

This information is not correct. During the months of January, February, March and April, 1927, the retail selling price of milk was 14 cents per quart and the purchase price of regular milk \$2.80½. Will you please be good enough to acknowledge receipt of this correction as we are desirous of having the information we furnish to you correct.

The next is from E. H. Conklin, General Manager of Borden's Farm Products Company, Limited, and it reads as follows:

We have the honour to enclose herewith statements upon the fifteen questions, in respect to which your committee require us to supply information. These statements have been carefully prepared by us, in accordance with the reported Minutes of Evidence, and trust that we have supplied all the information which your committee required of us.

You will notice in the document numbered 9B that the average selling price per quart of milk is given as \$0.1030. In the evidence which I gave before the committee, I stated the selling price per quart of milk to be \$0.1041. The explanation of the difference in these two figures is that the calculations used in arriving at the amount of \$0.1041 did not include the amount of raw milk which was sold by us to other major milk dealers, for which we paid association price, and to which we added ten cents per hundred pounds.

If there is any further information which you require in respect to the operations of this company, please let us know and we will endeavour to obtain it for you.

For your convenience we have prepared an index of the questions and answers thereto, and have bound the same together.

THOMAS GAMBLE, called and sworn.

By the Chairman:

Q. Will you give the reporter your full name and your position?—A. Thomas Gamble, Central Dairy, President and Manager.

Q. Have you a statement to make?—A. No, I have not.

Q. You have no statement?—A. No.

By Mr. Pickel:

Q. Mr. Gamble, is this an incorporated company?—A. It is.

Mr. BROWN: We can hardly hear the witness.

Hon. Mr. MOTHERWELL: We cannot hear either the question or the answer.

By Mr. Pickel:

Q. How long have you been incorporated and doing business?—A. Since November 24, 1930.

Q. This is your first venture, or is it a reorganization?—A. First venture.

Q. Are you a distributor?—A. Yes.

Q. You also, as I understand it, pasteurize milk for farmers?—A. Yes.

Q. What we require chiefly from you, Mr. Gamble, and why we brought you here, was to get the cost of pasteurization.

Mr. BROWN: Speak out so we can hear you.

By Mr. Pickel:

Q. I said we brought Mr. Gamble here especially to establish the cost of pasteurization. He pasteurizes milk for the farmers. How do you do that, by the gallon or quart, or hundred pounds, or what?—A. Do it by the quart.

Q. How much?—A. 1·16 cents per quart.

Q. How much?—A. 1·16 cents per quart.

Q. One and one-sixth?—A. One and one-sixth, the farmer stands wastage.

By Mr. Bowman:

Q. Is it 1·16 or one and one-sixth?—A. One and one-sixth.

By the Chairman:

Q. Now Mr. Gamble, can you not tell us just what it includes, what services you perform for that one and one-sixth cent?—A. Wash the bottles, pasteurize the milk and bottle it. We do not supply bottles, cases or caps.

By Mr. Pickel:

Q. The farmer supplies bottles and cases?—A. Bottles, cases and caps.

Q. And stands the wastage?—A. Stands all breakage.

Q. Are you also a distributor of milk?—A. Yes.

Q. Where do you purchase most of your milk?—A. In the surrounding district.

Q. How do you buy it at the present time?—A. We pay \$1·26 net to the farmer.

Q. \$1·26 net?—A. Net per hundred pounds, or 38·7 quarts.

Q. That is 3·5 milk?—A. 3·4 milk. That is not deducted from the—

Q. 1·24?—A. It is net.

Q. 1·24 is net?—A. 1·26 is net.

Q. Do you have any surplus?—A. Our farmers, contract farmers, do not have much surplus.

Q. Is this 1·26 net for all milk you purchase?—A. For contract milk.

Q. That is for distributor's milk?—A. Yes.

Q. What about surplus?—A. Surplus milk is contracted at a different price.

Q. How much?—A. Twenty-six cents a pound butter fat.

Q. Is that surplus milk separated?—A. Separated.

Q. You separate that?—A. Yes.

Q. What is that used for?—A. Cream or butter, usually butter.

Q. Do you buy cream also?—A. No.

Q. You distribute cream?—A. Yes.

Q. Where do you get your cream?—A. From the contract milk, the amount of contract milk which we have, which we do not sell.

Q. And surplus too?—A. And surplus, too.

Q. What is the selling price, Mr. Gamble, of your cream?—A. Cream? How do you want that, by the quart?

Q. How do you sell it?—A. Do you want it by the quart?

Q. Quart, half pints or quarts, yes, whichever you prefer.—A. Cereal cream is 40 cents a quart.

Q. What percentage is that?—A. Twelve per cent.

Q. Forty cents a quart?—A. Forty cents a quart, fifty cents a quart for table cream.

Q. What percentage?—A. Twenty-two.

Q. Fifty cents a quart?—A. Whipping cream 60 cents a quart.

Q. What percentage?—A. Thirty-two.

Q. Anything further? Do you sell any other grades?—A. No.

Q. Just three grades.—A. Just three grades.

Q. Twelve, 22 and 32?—A. Yes.

Q. The price is 40, 50 and 60 cents?—A. Yes.

Q. Do you not agree, Mr. Gamble, that there is a good deal more in the cream trade than in the milk trade?—A. No.

Q. You take a quart of 32 per cent cream, and it comes to \$2.40 a gallon. What does that represent in butter fat, a gallon of that cream?—A. 3·2.

Q. How much butter fat would you be able to get out of that 32 per cent cream?—A. 3·2.

Q. What do you mean by 3·2?—A. You asked me how much I would be able to get out of that, I say 3·2 pounds.

Q. 3·2 pounds?—A. Yes.

Q. That is what I wanted you to say. I do not know whether you meant pounds or bushels.—A. I thought you were thinking of pounds.

Q. What do you pay for it?—A. We pay \$1.26 per hundred net to the farmer. We have 25 cents haulage charge on that.

Q. Mr. Gamble, let us confine ourselves to that one gallon which you sell for \$2.40. How much do you pay for that?—A. I would have to figure that out.

Q. Well, figure it out, it will only take you a minute, and let us know. I want you to say.—A. \$1.42.

Q. For the quart?—A. A gallon, yes.

Q. Is that the contract price?—A. Contract price.

Q. I am asking you what you pay for that milk?—A. Yes, as milk, we are getting so we are paying more than 1.26. I am giving you 1.26 as milk, and we have to charge haulage on top of that, which gives 1.51 a hundred. In this case it is 3·2, which would be 1·42 cents a gallon.

Q. 1.42?—A. Yes.

Q. That includes haulage?—A. Yes, but does not pay for the separating of the milk.

Q. You make 98 cents on that gallon of cream?—A. I hope so, but I doubt it.

Q. That is what your figures show. Now Mr. Gamble, you are not doing pasteurization for the farmers for your health?—A. No.

Q. You are making something out of it?—A. We are making a little.

Q. What is your idea of the cost of pasteurization?—A. 1.06 is my idea.

Q. That is what you get?—A. Yes.

Q. What do you consider the actual cost?—A. We are doing it at the cost price.

Q. Then you are doing it for your health?—A. No, I am not doing it for my health, but the reason we can do it at cost price is it is filling in there at times. It just cost us the same to run our plant if we were not pasteurizing at all.

Q. That milk brought to you by the farmer is all pooled?—A. No.

Q. If John Jones brings you twenty gallons of milk, you don't give John Jones back different milk?—A. We are only pasteurizing for five shippers.

Q. What is that?—A. We are only pasteurizing for five shippers.

Q. That is all you are pasteurizing for?—A. Yes.

Q. That is five distributors?—A. Five distributors.

Q. Do you pasteurize each one individually?—A. We have two small vats, and those five are pasteurized in these two small vats.

Q. They go through a regular pasteurizing plant?—A. This cream vat is a pasteurizing vat as well.

Q. I understand; that does not go through a pasteurizing machine?—A. Yes.

Q. That was I understood just in the cream vat?—A. In the cream vat; that is a pasteurizing machine.

Q. But not as generally accepted?—A. We pasteurize our cream.

Q. And kind of cream vat or wash tub or barrel is a pasteurizer?—A. We pasteurize our cream in this vat.

Q. I understand; but it is not what is generally accepted as pasteurizing?—A. Certainly it is.

By the Chairman:

Q. Mr. Gamble, you mentioned wastage, that the farmer stands wastage?—A. Yes.

Q. Is there any appreciable amount of wastage?—A. On eight gallons he gets thirty quarts of milk, on account of the small quantity he is pasteurizing.

Q. What would it be if there was no wastage? How many quarts would there be in eight gallons if there was no wastage?—A. Thirty-one and a fraction.

Q. That would work out to a percentage; then the farmer who intends to distribute his own milk, does not really get his own milk back?—A. Yes, with the exception of these five farmers.

By Mr. Brown:

Q. Would the witness repeat what he said about wastage, on eight gallons the amount of wastage?—A. Yes. The farmer gets thirty quarts of milk back on the eight gallons.

Q. Two gallons wastage?

By the Chairman:

Q. What is the wastage? That is what he wants to know.—A. Two quarts. There is not fully two quarts, but approximately.

Q. Approximately?—A. Yes, a gallon of milk weighs more than ten pounds.

By Mr. Pickel:

Q. Mr. Gamble, this pasteurizing you do, if Mr. Jones brings you twenty gallons of milk—

Mr. BROWN: Louder.

By Mr. Pickel:

- Q. —that is thrown in the vat, separately; how do you pasteurize that?—
A. By steam, heated.
Q. Just heated by steam?—A. Yes, hot water.
Q. It does not go through any what is called "pasteurizing plant", any automatic pasteurizer?—A. All our milk is pasteurized in vats.
Q. That is all right. That is not an automatic pasteurizer?—A. What do you call it?
Q. Well, I mean a plant that the milk continually keeps running through all the time?—A. None of ours run through all the time.
Q. It has large coils in the vat?—A. Yes. It is the same thing, only small coil.
Q. Apart from washing bottles, and bottling milk—what do you set down as the cost of pasteurizing apart from the washing, sterilizing and the refilling of the bottles?—A. What did I put down?
Q. Yes, what was it?—A. 1·16 cents a quart.
Q. How much?—A. 1·16 cents a quart.
Q. Then you do not consider washing and sterilizing the bottles and refilling with milk as worth anything?—A. You asked me—
Q. I asked you just the mere process of pasteurization.—A. I can't tell you, sir, because we have not got an accounting system of that kind.

By Mr. Bouchard:

- Q. Mr. Gamble, what is the cost of the organization of your plant; have you any watered stock in your plant?—A. No, we have no watered stock.
Q. No watered stock. Did you pay a commission in getting your stock sold?—A. We did not. There was no commission paid whatever for stock sold; all the stock that was sold, every cent went into the company.
Q. To whom has your stock been sold, to the producers of milk?—A. It is sold to milk producers.
Q. It is sold to milk producers?—A. Employees and milk consumers.
Q. And there is no watered stock?—A. None whatever.
Q. No more water in your stock than in your milk.

By Mr. Pickel:

- Q. Now, we are very much concerned about this surplus milk. Do I understand that your company is taking the loss in whatever surplus is left?—A. Our milk is bought on contract. Whatever is left over is separated, and we endeavour to make out of that by selling cream, et cetera. My friend says we make so much out of a quart of cream, but there is an awfully great return on cream. In other words, you will take, say one wagon which might take out fifty half pints of cream and return twenty-five in a day. That is double work. That is a loss on filling and loss of time, extra caps, et cetera. All that extra work has got to go into the profit which you make on the quart you sell.
Q. Are farmers limited to a certain quantity of milk that they bring to your plant?—A. Our contract farmers are all contracted very high, so that contract farmers very seldom have any surplus.
Q. If they have any— —A. They very seldom have any surplus.
Q. Very seldom, because their contract is very high?—A. Very high.
Q. And if they do not supply to the limit of the contract— —A. There is no penalty.
Q. There is no penalty?—A. No.

By the Chairman:

Q. You have a number of producers, Mr. Gamble, that you get milk from that are not contracted, I understand?—A. Yes, we have.

Q. And do you give them the same contract price as the others?—A. No.

Q. That is more or less what you might term distress milk that is coming in to your concern?—A. I never term it as distress milk.

Q. Is a proportion of that milk bottled and sold at present?—A. No.

Q. How do you dispose of it?—A. We have enough of the contract milk, and that milk is separated and it is used for cream or ice cream, or churned.

Q. You pay none of the other producers by the contract price?—A. No.

Q. How do you say that milk is disposed of, in what way?—A. It is separated.

Q. As sweet cream?—A. It may be used as sweet cream or may be used for ice cream, or it may be churned.

Q. Your calculation as to the cost of a gallon of cream— —A. Was on contract milk.

Q. That was only on contract milk?—A. Yes.

Q. What proportion of the cream that you distribute is from contract milk, and what from this other milk? Can you tell me that?—A. We don't sell all that cream that we get from our contract milk.

Q. Do you mean to say you sell no sweet cream from the other milk?—A. No. We have not a very large supply from the other shippers. They are small shippers.

Q. Then it is all churned, is that the idea?—A. Or for ice cream probably; some might go for ice cream, and some might be churned.

By Mr. Pickel:

Q. What is your capitalization?—A. \$300,000.

Q. Who is president?—A. I am president.

Q. What is your salary?—A. Do you want my salary or the office salary?

Q. I want the whole. What is your salary?—A. \$1,200.

Q. Who is vice-president?—A. Mr. Argue.

Q. Is he an active official in the company?—A. Vice-president.

Q. Is he an active official?—A. No.

Q. Does he get any salary?—A. No.

Q. What other salaried officers are there in connection with it?—A. Just the office staff.

Q. How much?

By the Chairman:

Q. How many?—A. Two males and one female; that includes myself; \$4,320.

Q. That is the total.

By Mr. Pickel:

Q. Do you pay any dividends?—A. No dividends. We are just running two years.

Q. Any income tax?—A. Yes, we paid income tax last year.

Q. What was the result of your 1932 operation?—A. What were the assets—

Mr. FAFARD: Is that fair? You don't need that. That is private.

The WITNESS: I didn't know I was going to be asked that.

The CHAIRMAN: I think, Mr. Pickel, that the object in having Mr. Gamble here was on the question of pasteurization. He may not be in a position to answer those questions.

The WITNESS: I would be glad to, if it is necessary, at any time.

The CHAIRMAN: I think it would be wise, if it is found necessary, that Mr. Gamble should be recalled, rather than that he should be asked to answer questions that possibly he is not prepared to answer to-day. Are there any other questions on pasteurization?

By Mr. Porteous:

Q. Mr. Gamble, you do custom work for five different farmers?—A. Yes.

Q. That is, you pasteurize and bottle their milk. They supply bottles and caps and cases and so forth, and you charge them $1\frac{1}{2}$ cents per quart. How many quarts of milk do you give the farmer bottled, for 100 pounds?—A. We give him 30 quarts of milk for 80 pounds.

Q. You give him 30 quarts of milk for 80 pounds?—A. Yes.

Q. That is a loss of two quarts?—A. No, it is not loss.

Q. In an eight gallon can?—A. Oh, two quarts—approximately 32 quarts in 80 pounds of milk.

Q. How many quarts are there in 80 pounds?—A. About thirty-one and a fraction, $31\frac{1}{4}$, I think.

Q. In an eight gallon can?—A. In eighty pounds of milk.

Q. That loss is just what is sustained, evaporation and perhaps a little wastage in bottles?—A. It is usually wastage in pipes and bottles.

By Mr. Brown:

Q. I suppose that would be the average wastage in a pasteurizing plant?—A. No, that is a little heavy, because these are only small amounts.

Q. What are you delivering milk at, at present?—A. Ten cents retail, eight wholesale.

By the Chairman:

Q. Do you sell to distributors as well as to stores?—A. No, no distributors buy milk.

By Mr. Pickel:

Q. Can you tell us the amount of milk that you handled last year?—A. I could tell you how much there was coming in a day; at the present time, 325 cans a day.

Q. That is eight gallon cans?—A. Yes.

Q. And cream?—A. Cream is separated from our over-plus milk, at least milk that you do not sell.

Q. About how much cream is distributed?—A. I don't know. I didn't get that figure, because I didn't know you wanted it. I would be glad to get it for you.

Q. Can you tell us offhand approximately your surplus for last year?—A. No, I could not.

The CHAIRMAN: Gentlemen, if you are satisfied, I think we had better release the witness. If the committee wish to call him again, he is available right here in the city.

(Carried.)

Witness retired.

ERNEST COUSINS, recalled.

The CHAIRMAN: Now, Mr. Cousins, have you any further statement to make before the committee begin to cross-question you?

The WITNESS: Well sir, I was asked by telegram to fetch my minute book, and also a list of shareholders, which I have done.

The CHAIRMAN: And directors.

The WITNESS: And directors, yes.

The CHAIRMAN: And the amount of shareholdings of each of them.

The WITNESS: Yes. What information do you desire from the minute book, Mr. Senn?

By Mr. Pickel:

Q. Mr. Cousins, what is your salary in your company?—A. I think that has already been stated.

Q. Well, just state it again.—A. It was \$10,000 per annum until the beginning of the year, and since then I have taken two cuts, in common with everybody else.

Q. What is it now?—A. It is reduced now about 25 per cent.

Q. Does your minute book show that?—A. No, the minute book does not show it.

Q. What does show it?—A. My wage list.

Q. Your what?—A. My wage list, at the end of the week.

Q. Mr. Cousins, how many stockholders have you?—A. I will tell you that, sir. Sixty-two.

Q. What is the amount of stock held by them?—A. Well, I have the list here, if you would like to look it over.

Q. You can tell us approximately how much stock is held by outsiders in your company?—A. How much stock altogether?

Q. Yes, how much stock is issued.—A. There is 6,124 preferred and 10,000 common.

Q. Give us that in dollars?—A. \$240,000; that includes everything.

Q. That stock has been sold?—A. Yes.

Q. When was it sold, Mr. Cousins?—A. 1925.

Q. Has that ever been added to since?—A. Well, in 1928 the old company entered into an agreement and reorganized, gave four shares for one.

Q. No more issued?—A. No.

Q. It remained the same; the amount of \$240,000 remained the same?—A. Exactly.

Q. That was 1925?—A. Yes. At the end of 1928 or to-day it stands at that.

Q. What dividends did you ever pay on that \$240,000 since 1925? Have you paid regular dividends?—A. Not regular dividends, no.

Q. From 1925 to 1928, how many dividends were paid?—A. One stock dividend.

Q. One stock dividend?—A. Yes, to bring it up to date, and five other dividends.

Q. That is in the three years?—A. Yes.

Q. What was the amount of those dividends, what percentage?—A. Seven per cent.

Q. From 1928 until to-day, how many dividends have been paid?—A. Five.

Q. All told?—A. Yes.

Q. You told us before, Mr. Cousins, when I read you a letter from Mrs. Payne of Granby—you said if she hadn't got her dividend regularly it must have gone astray.—A. They didn't go astray, and she got her dividends, and I have the cheques right here.

Q. What were the dates?—A. April 15, 1931; July 15, 1931; October 15, 1931; January 15, 1932; April 15, 1932; and I might say the lady wrote to me and said she hadn't got them, and I got the cheques from the bank.

Q. Do you know how much stock your company has sold in the city of Granby?—A. No, I have not—well, yes, I have it here by the different shareholders.

Q. You have a full list of shareholders there?—A. Yes. There is not much; very little.

Q. Here is a gentleman who says, "On my investment of \$2,500 cash I have received in cash a little less than \$100." Is there any truth in that?—A. He has received the same amount as the others received.

Q. Well, according to the evidence the others received very little.—A. Well—

Q. Are you separating every day?—A. These days, yes.

Q. How long have you been separating?—A. On and off for quite a number of years.

Q. Well, have you been continuously separating since last fall until the present time?—A. Not every day. It all depends; sometimes once a week, sometimes twice a week, sometimes three times per week. Sometimes we stop the milk when we have a flood on us.

Q. Is your surplus milk all separated?—A. No.

Q. What do you do with it?—A. Well, that part that we do not separate, we sell it.

Q. Sell it for what?—A. Sell it for milk, fluid milk.

Q. But you call it surplus?—A. Well, it goes to meet poor competition.

Q. In reality it is not surplus?—A. Yes, it is.

Q. You simply call it surplus for dividend purposes?—A. If a man ships ten cans in one week, and the next week only ships five cans, he has a surplus of five cans.

Q. I would like to ask one more question, Mr. Cousins: your son said in his evidence here that surplus milk was a little over 50 per cent.—A. He made a mistake, as I explained to you the last time I was here.

Q. He said what was not so?—A. Well, he just guessed.

Q. He gave us the figures.—A. In some instances they have been as high as 50 per cent.

Q. Will you tell us.—A. When a man has no milk all winter, and in the spring he has plenty of it and ships it all in, he has certainly a surplus. We do not ask him to ship all the milk in. He ships it of his own free will and accord. We pay him more than he would get from the butter factory.

By Mr. Bowman:

Q. Mr. Cousins, you were before the committee on March 10?—A. Yes.

Q. On March 30, rather?—A. Yes, March 30.

Q. And at that time the committee asked you to have your auditor attend. Have you brought him to-day?—A. Unfortunately he is so busy he could not come, but he has given me the whole thing here; if you desire it I shall go through it, or I will give you a copy of it.

Q. The auditor was so busy that he did not have time to attend?—A. Well, he has other business to attend to outside of mine, sir.

Q. Well, I am taking your statement for it, that he was so busy that he did not have time to attend before this committee?—A. Exactly.

Q. Would you give us the name of your auditor?—A. With the greatest of pleasure; Marrotte, Anderson & Co., of Montreal.

Q. And who in that firm does your business?—A. Mr. Marrotte; he is the chief.

Q. Mr. Marrotte?—A. Yes.

Q. And when you told Mr. Marrotte that it was the pleasure of this committee that he attend before it, he said he did not have time and could not do it?—A. Well, he said that he was too busy, but he did draw up a full statement of the facts connected with my company from its inception.

Q. Just a minute; Mr. Marrotte told you that he was too busy to attend before this committee?—A. Exactly.

Q. That is correct?—A. Exactly.

Q. There cannot be any doubt about that?—A. I have not any doubt because I was with him all day yesterday; he said he was sorry he could not come, but at this time of the year he was particularly busy.

Q. And consequently you especially prepared yourself?—A. No, I didn't. I had him prepare it.

Q. You prepared it?—A. Yes—no, he prepared it.

Q. Do you want to make any corrections of any statements you made when you were before the committee last?—A. Well, sir, you said that there was a discrepancy between 1925 and 1928. Now, possibly as far as the figures go, there is quite a discrepancy.

Q. I suppose you had the advantage of reading the report of the committee of the 30th of March?—A. Yes, I have a copy right here.

Q. Are there any statements which were made by you previously, as reported in the statement which you have in your hand, which you want to correct before I go on with the examination?—A. Yes. I said that all that stock was sold. It was not.

By the Chairman:

Q. What stock?—A. The stock that was issued in 1925.

By Mr. Bowman:

Q. When you first started to give your evidence you advised the committee that there were 5,000 shares?—A. Yes.

Q. Of preference cumulative stock of the par value of \$100?—A. Yes.

Q. And that that was all sold?—A. Yes. But it was not.

Q. You want to correct that?—A. Yes.

Q. What else would you like to correct?—A. Well, I am not quite sure, Mr. Bowman. If you have any corrections, or anything that appeals to you that you would like me to correct, all right.

Q. Well, Mr. Cousins, to be quite frank with you, there are so many statements that are contradictory of one another, I am afraid it would take me the next hour to draw them to your attention. But let me just take a statement that you made a moment ago to Mr. Pickel. May I ask if that is correct. You said that in 1925, \$240,000 worth of stock was sold.—A. It was not all sold.

Q. I beg your pardon?—A. It was not all sold. That is capital of the company.

Q. That was capital of the company?—A. Yes. It was not all sold. I thought that stock was sold, but when I come to find out, I find that it was not sold. There was simply 6,124 shares of preferred sold and 10,000 no par value.

Q. Let us start at the beginning of this affair, then, without confusing the committee, if possible. You are in a position to-day, are you, to give us the financial history of the company?—A. Yes.

Q. You are quite clear about that?—A. Yes.

Q. And will you tell us just what the value of the company was prior to the reorganization in 1925?—A. Well now, if you desire it, I can give you the whole thing in detail.

Q. Kindly consider my question, because I am talking now about prior to 1925?—A. Prior to 1925?

Q. Yes.—A. What was it you wanted in 1925, prior to that time? That was my own company in 1925.

Q. That is what I wanted to get at. I want to get the start of that company.—A. Exactly; it started in 1889.

Q. Prior to 1925 the company was a personal company?—A. Exactly.

Q. Just an ordinary registered company?—A. Exactly.

Q. Not a joint stock company?—A. No, it was not a joint stock company.

Q. Prior to that time there was no stock, either preferred or common, issued?—A. Nothing whatever was sold.

Q. Now, you started in 1925— —A. That is it.

Q. —by setting up a joint stock company, is that correct?—A. The company was incorporated under Dominion letters patent dated the 9th of April, 1925, with an authorized capital of 5,000 seven per cent cumulative redeemable preference shares of \$100 each, and 10,000 shares without nominal or par value to be issued at a price not exceeding \$5 per share.

Q. Now, what did you get for your company when you turned into the new joint stock company in 1925?—A. This is 1925; the company entered into an agreement with Ernest Cousins Limited (old company)—that was prior to 1925—under date of 27th of April, 1925, whereby it purchased the assets and the good will and assumed the liabilities of that company. The consideration for the transfer of the assets and liabilities and the undertaking of Ernest Cousins Limited (old company) to make a payment to your company of \$240,000, was \$350,000. Ernest Cousins Limited—

Q. Just a minute, the consideration for the old company was \$350,000—have you got the exact figures there?—A. Yes, to make payment to your company—

Q. Well, have you got the exact value, you said \$350,000?—A. Yes, sir.

Q. What are the exact figures?—A. \$350,000.

Q. That is, \$350,000; the new company purchased the old company for \$350,000?—A. That is it.

Q. Yes, how was it paid?—A. Ernest Cousins Limited old company accepted 3,000, 7 per cent cumulative redeemable preference shares, and 10,000 shares without nominal or par value in settlement, and these shares were issued by the company as fully paid shares.

Q. That is, the new company set up in 1925 paid to you as proprietor of the old company 3,000, \$100 preferred cumulative shares carrying a dividend of 7 per cent?—A. That is right.

Q. Plus 10,000 no par value shares?—A. In settlement.

Q. Valued at \$5?—A. Exactly.

Q. So the total purchasing price was \$350,000?—A. Exactly.

Q. What was that paid for?—A. The company acquired from the old company net assets of \$115,789.98 and liabilities amounting to \$76,031.73, goodwill based on a valuation of \$5 for each no par value share of \$70,241.75; the sum to be paid by Ernest Cousins Limited old company, \$240,000. You see, \$110,000 and \$240,000 make \$350,000. The consideration was 3,000 shares of preferred stock at \$100, and 10,000 shares no par value at \$5, that made \$350,000.

Q. In taking over this business the new company allowed for goodwill a sum amounting to \$70,000?—A. Goodwill, based on a valuation of \$5 per share, \$70,241.75.

Q. Now, that 3,000 shares of cumulative stock was not all issued?—A. No, sir.

Q. What happened?—A. The old company entered into an agreement with the Mortgage Investment Company Limited on the 1st of April, 1925, to sell the shares of the company on behalf of the old company. From the proceeds of the shares sold, \$240,000, Ernest Cousins old company paid on account of their debt

of \$240,000, during the period ended 31st December, 1925, \$75,721.76; that left a balance of \$164,278.24. During the year ended 31st December, 1926, \$3,188.64; leaving a balance of \$161,089.60.

Q. Yes, is that all?—A. That is as far as we have got so far.

Q. Well, finish. Finish what you have in your statement?—A. During November, 1928, the company amended and changed the original agreement made with Ernest Cousins Company Limited old company. The company obtained supplementary letters patent from the Dominion government under date of 21st November, 1928, reducing the capital of the company by the cancellation of 1,469 preferred shares, and further by changing the remaining authorized preferred shares, amounting to 353 old shares valued at \$100 each with a total par value of \$353,100, into 14,121 shares of \$25 each, with a total par value of the same amount.

Q. That don't tell anything, of course, Mr. Cousins. Can you yourself, right now, Mr. Cousins, tell us the initial set-up of this company?—A. Yes, I think I can.

Q. Well, will you please do it, you have not told us anything yet, you know.—A. Well, I think I have.

Q. I am sorry, the fact that there are a certain number of shares authorized, don't mean anything, as you know. A company can start up with a million dollars' worth of shares, but unless somebody buys them or they are issued, they don't become the set-up of the company, do they?—A. No.

Q. Well, tell us about the shares that have actually been issued?—A. The sum of \$113,425 was received by Ernest Cousins Limited old company on the sale of stock, which sum has been accounted for to the new company, less commissions, and selling expenses incurred by the old company in the sale of the stock of the new company. The failure to realize the full amount desired was due to the failure of the underwriters of the stock to carry out their agreement.

Q. Well, you are just reading something from a memorandum you have there?—A. This is a statement from the auditor.

Q. An auditor's statement, yes; but just what it means you are not sure?—A. Oh, yes.

Q. Well, tell me, I have asked you an open question, how much cumulative preferred stock has been issued in this company?—A. Shares sold as follows: 936 preferred shares at a value of \$100; 741 common at a value of \$25.

Q. When was this?—A. This was in 1925.

Q. Will you give those figures again please?—A. 936 preferred shares.

Q. That is 936 preferred valued at \$100?—A. Yes.

Q. The next item is 741 common at \$25?—A. And 40 at \$12.50; and 100 at \$8, making a total of—

Q. 40 what?—A. 40 common shares.

Q. 40 common at \$8?

The CHAIRMAN: No, 40 at \$12.50.

By Mr. Bowman:

Q. At \$12.50?—A. Yes.

Q. And the other 100 at \$8.

By Mr. Pickel:

Q. Is that last 100 common shares, Mr. Cousins?—A. Yes, sir.

Q. And is sold for how much?—A. \$8.

By Mr. Bowman:

Q. Eight dollars a share?—A. Making a total of \$113,425, and that is all.

Q. Now, we are getting at the capital in 1925.—A. And that is all the stock that was issued.

Q. Now, there is no doubt about that, is there Mr. Cousins? In 1925 we had 936 preferred \$100 value shares, and 741 common shares sold at \$25?—A. Yes, sir.

Q. And 100 shares?—A. At \$8.

Q. At \$8?—A. Yes, sir.

Q. Making at that time a total value of how much?—A. \$113,425.

Q. Now, that was the original capital set-up with the new company, that is when the joint stock company took over your whole business?—A. That was the money invested.

Q. Now, there can't be any doubt about that, can there?—A. None.

Q. Now, what is the next step in your capital set-up?—A. The preferred stock value of \$153,100 is arrived at as follows.

Q. Well, what are you talking about now?—A. I was going to tell you, you asked me and I was going to tell you.

Q. You say this preferred stock realized \$153,100. What was the next step?—A. The total proceeds from the sale of preferred and common shares was \$113,425.

Q. That is in 1925?—A. Yes, that is up to 1925.

Q. Yes, what was the next step taken in this organization?—A. Under the amended plan each subscriber was given one preferred share of \$25 for each \$25 invested, therefore they received 4,537 shares of preferred stock at \$25 which made a sum total of \$113,425. The original preferred shares of \$100 par value were exchanged for four new shares of \$25 par value. New preference certificates were issued to an amount equal to the common shares purchased. Common share certificates were obtained by the purchaser.

Q. Will you read that statement again, that you have just made?—A. Yes, sir, the original preferred shares of \$100 par value were exchanged for four new shares of \$25 par value. New preferred share certificates were issued to an amount equal to the common shares purchased, and common share certificates were obtained by the purchaser.

Q. And that was what part of the total issue of some 4,000?—A. That was 4,537 shares.

Q. Now, I want the committee to understand that clearly. You correct me, Mr. Cousins, if I am wrong. You say that for these 936 preferred shares of \$100 par value, plus 741 shares of common stock of \$25 par value, plus the 40 shares that were sold at \$12.50—they were really \$25 par value—plus the 100 shares, were all put together and when the reorganization took place, new preferred stock equal to the total amount of the old common shares and the preferred shares was issued?—A. No sir, they still retained their common stock.

Q. Yes, I know, but they got a preferred share for the common stock that they had?

The CHAIRMAN: For every \$25 worth.

By Mr. Bowman:

Q. Is that right?—A. No, they got four shares of \$25 value for their \$100 share of preferred stock.

Q. Yes, plus another share for common stock which they held.—A. Exactly, yes.

Q. That is what I am saying. Now, in talking about this reorganization, you are now down to 1928?—A. Yes, sir.

Q. All right, now in 1928, tell me the reorganization that took place there; you now have your company in 1925 with a total valuation of \$113,425?—A. Yes, sir.

Q. Now, tell me what took place in 1928?—A. Well, I have just told you that these shares were taken in and four shares were offered in their place.

Q. That is for the preference.—A. Yes.

Q. Just tell me how many shares were issued in 1928?—A. 4,537 shares valued at \$25 per share.

Q. Yes, what about the common shares?—A. They kept the common.

Q. Yes, but did not they get a preferred share for every common share they held?—A. No, sir, they simply got four shares for the one share; every man that had one share of \$100 stock got four shares for it, that was preferred.

Q. Yes.—A. And it still remains preferred. The common stock, they kept it, they have it yet, that was never changed.

By the Chairman:

Q. No, that is not right.—A. Yes, it is.

By Mr. Bowman:

Q. Where do you get your 4,537 then?—A. By multiplying 936 preferred shares by four.

Q. Well, that doesn't come to 4,537, it comes to 3,744.—A. Yes, that is right; you are right, sir.

Q. Well look, Mr. Cousins,—I don't know, Mr. Chairman why this committee should have to go over this evidence again, we don't seem to be getting anywhere with this witness, we don't get a satisfactory statement, and we don't get satisfactory answers. There is not a page of the whole of this evidence which he gave during a couple of hours, but what there are contradictions, and then we have the same thing here to-day. Now, I don't think we are going to get very far until we get somebody in the witness box who knows something about the financial set-up of this company. I think this witness, with all due respect to Mr. Cousins, does not understand it himself. I have no doubt that, like men who are fortunate enough to be in his position, he has relied entirely upon his solicitor and his accountant for advice about the different set-ups of this company. He is, unfortunately, not able to give it, that is clear. I want to suggest, Mr. Chairman, that as Mr. Cousins is not able to give us the answers that we, if necessary, subpoena the gentleman whom he named as auditor of the company, and see that he appears before this committee in order that we may get the evidence without having to go through this thing several times over.

MR. BROWN: Would it not be well if Mr. Cousins would furnish the committee with the statement which he says comes from the auditors?

MR. TUMMON: Unfortunately, Mr. Brown, the statement which was filed with the committee, the annual statement, does not agree with the evidence Mr. Cousins has given us.

THE CHAIRMAN: Nor, with the evidence he is giving now.

MR. BOWMAN: Yes, the trouble with the witness is that he is confusing different years on different statements. We get something in 1925, and we get something else in 1931.

THE WITNESS: No, sir, you don't get anything in 1931, you simply got it in 1928.

By Mr. Bowman:

Q. Well that is what we have been getting.—A. No, sir, you simply got the difference from 1925 to 1928. I was trying to explain to you just exactly what was done in 1928.

MR. BOWMAN: Well, I am willing to try a little further, Mr. Chairman. I have gone over these figures very carefully, and certainly none of these statements agree.

THE CHAIRMAN: No, they do not.

By Mr. Bowman:

Q. Now, going back to 1925 for a moment, Mr. Cousins. When you read the figures that you just gave,—and I wish you would correct me if I have taken them down wrong, and to confirm it if I am right—936 preferred shares at a value of \$100; 741 common shares sold, you say, at \$25; 40 sold at \$12.50; and 100 which sold at \$8. Is that correct?—A. Yes, sir, that is right.

Q. That is right, all right. Now, what was the next step in the financial set-up of your company, what change was next made?—A. During November, 1928, the company amended and changed the original agreement made with Ernest Cousins, Limited. The company obtained supplementary letters patent from the Dominion government, reducing the capital of the company by the cancellation of 1,469 preferred shares.

Q. Yes, and that 1,469 preferred shares was of a value of \$100.—A. Yes, sir.

Q. Now, you are talking about the capitalization?—A. Yes.

By the Chairman:

Q. They were part of the shares that were issued to Mr. Cousins in the first place to realize that \$240,000, and that was never realized?—A. Yes. And further, by changing the remaining authorized preferred shares, amounting to 3,531 shares valued at \$100 each, with a total par value of \$353,100 into 14,124 shares of \$25 each, with a total par value of the same amount.

Q. With a total par value of the same amount—14,142 did you say?—A. 14,124.

Q. That is 14,124 at a par value of \$25, that would give you \$353,100?—A. That is right, that agrees with my figures.

Q. All right, but these were the shares that were authorized, these are not the shares that were issued?—A. No, I have just told you the number of shares that were issued.

Q. All right, how many?—A. 6,124 preferred, and 10,000 common.

Q. Now, answer this, how do you get that 936 preferred shares of \$100 each, 741 common, 40 common, and 100 common—how do you get it into 6,124 preferred and 10,000 common issued? That is what I want to get.—A. Well, Mr. Bowman, I am extremely sorry, as I say, I am not an auditor myself; I simply have these figures; and these figures, according to the auditor, who is one of the best auditors in the city of Montreal, come out exactly to a cent. I feel a little bit annoyed at the auditor not being able to be here himself to explain these figures to you, but I know that these figures are right, I know that they are correct.

Q. You can't know whether they are right or not except for the reason that the auditor told you so. Now, here are two statements clearly before the committee, Mr. Cousins, first we will take these shares which I have referred to—936 preferred at \$100, 741 common, 40 common, and 100 common—we find this stock issued at a certain period in the history of this company.—A. Yes.

Q. The next statement we find is the auditor's statement for 1931 or 1932, where it shows at page 348, that you have 6,124 shares of \$25 each, plus 10,000 shares of no par value at \$5 each?—A. Yes, sir.

Q. These are issued now?—A. Yes.

Q. The auditor says they are issued?—A. Yes, sir.

Q. How did you issue these shares?—A. They were sold.

Q. How do you know?—A. Because we got the money for them, except the amount that I have myself, you see I am holding an amount of preferred 1,709 and 6,994 of common.

Q. 6,000 what?—A. 6,994 common.

Q. Now, how did you get this 6,994 common?—A. I bought some of them, and the others were given to me for my business.

Q. Well, that is the point we want to get at.—A. Well, you have it.

Q. We haven't. We find that in 1926 you have a total of 8,081 common shares outstanding. When we look at your auditor's report for 1931, you have 10,000 outstanding.—A. That is right, the whole 10,000 were issued.

Q. Yes, but what did you get for them? Did you give them away for nothing?—A. No, sir, the amount that was given to myself for my business was somewhere—I bought somewhere in the neighbourhood of 5,500, I bought considerable of those shares.

Q. I beg your pardon?—A. I said I bought a considerable number of those shares back myself.

Q. No par value?—A. Yes.

Q. What did you pay for them?—A. Whatever I could get them for, I bought them with the preferred.

Q. You bought them with the preferred, that is really stock that you sold and bought back?—A. Yes.

Q. But how do you account for getting at these 9,000 extra shares of no par value?—A. I did not say that there were 9,000.

Q. I am telling you so, according to your auditor's information.—A. Well, I am awfully sorry, Mr. Bowman.

The CHAIRMAN: Really, Mr. Bowman, I don't think there is any use pursuing this any further. We will have to have this auditor here, just now you are only wasting your time. Don't you agree with that?

Mr. BOWMAN: Well, the main point of this company, as I see it, Mr. Chairman, is this, that in the first place, the son attends before this committee and gives his evidence, and in that evidence, he gives the capital set-up of this company at a very small amount—I refer to page 147 of the evidence—he gives the capital set-up of this company as \$153,100. We have the statement made by the witness in his evidence some time ago that goodwill was not taken into consideration, and as a matter of fact, as I imagine the record and the memorandum of incorporation, steps that were taken in the change of 1928, that he was paid for goodwill a very substantial amount. I find more than that, Mr. Chairman, that according to the report that is filed before the committee, that a very substantial amount has again since accumulated for goodwill, amounting in the statement issued for 1931 by their auditors to \$87,507.44. On top of that, there has been wiped off in depreciation up to the time some \$48,000, according to their report. On top of that, we get a statement from the manager of the company that they are not able to pay dividends. Well, the record clearly shows that they can pay dividends. They have people outside of their own company of whom we have record, who hold stock in this company who are not getting anything, not even on their preferred shares, they are not even getting dividends.

Now, if the thing can be explained, let us have an explanation, but so far as I can see from the records that appear to date, this company has been making very substantial profits; its profits have been written off into goodwill, into depreciation and into bad debts; and if you add to that the no-par-value stock which has been issued by the company as bonuses, somebody has got something out of this company, there can't be any doubt about that. You have to-day a clear statement that since 1925 the only common stock issued was to the extent of 981 shares, and again we are told that there were 10,000 shares issued.

The WITNESS: They were issued in the beginning, sir.

Mr. BOWMAN: They were not issued in the beginning, according to your auditor's statement. Certainly Mr. Chairman, there is some explanation coming with regard to the major items that I have very roughly drawn to your attention, and I certainly suggest that the auditor of this company be subpoenaed, and that he attend before this committee and give to this committee the information we want; otherwise, we will take proper steps to bring him.

The WITNESS: I will see Mr. Bowman, that he is here, most decidedly when you want him.

By Mr. Pickel:

Q. I wanted to ask you one question. In your evidence the last time you were here you gave the amount of depreciation as \$80,000, or a little over.

The CHAIRMAN: What depreciation? Annual depreciation?

Mr. PICKEL: Yes. \$80,000.

By Mr. Pickel:

Q. On page 328 of the evidence, Mr. Cousins was asked:—

Q. Mr. Cousins, in your figures for depreciation, I think you acknowledged some \$80,000?—A. Yes, I have that here.

Q. Well, now, in the statement that your son made the other day, we find as depreciation for machinery, \$15,000, delivery equipment, \$7,000, building, \$2,000. How do you reconcile those two statements?—

A. Well, he possibly did not have the figures here. What year was that for?

Now, for 1932 in your filed statement you have "depreciation: machinery \$15,000, delivery equipment \$7,000, buildings \$2,212." Why did you tell us the depreciation was \$80,000?—A. Mr. Pickel—

Q. Will you tell me?—A. If you will kindly wait until the auditor comes up here, he will have the answer to those questions. He is better able to answer them than I am.

Q. I should hope so.

By Mr. Gobeil:

Q. Did you tell the committee that you had the list of your shareholders here?—A. Yes.

Q. Are you going to file this list with the number of shares of each?—A. Yes; right here.

The CHAIRMAN: Yes. He has said he would file them.

Mr. TUMMON: I would also ask Mr. Cousins to file with us the statement he has been reading from?

The WITNESS: Yes. I will do that. I have a copy here.

(Copy filed.)

Mr. TUMMON: Possibly, I might ask a question here.

The CHAIRMAN: Do you mean that the file should be included in the minutes?

Mr. TUMMON: Yes; the minutes so we will have something to go by.

By Mr. Pickel:

Q. How long have you been receiving \$10,000 a year salary?—A. Just two years.

Q. Was that authorized in your minutes?—A. Yes, sir. As a matter of fact, it is not—

Q. Just tell the committee who your directors are?—A. Ernest A. Cousins; Andrew C. Cordner; Francis E. Cousins; Nathan B. Cohen; Ernest W. Sayer; H. E. Reynolds; Fred Cleary.

Q. How often do you meet?—A. Generally at the call of the chair.

Q. How often does the chair call?—A. Possibly every three or four months.

Q. When did you have your last meeting?—A. We have our annual meeting this month.

Q. When did you have your last meeting?—A. July 11—no, Monday, November 14, 1932.

Q. And when did you have a meeting before then?—A. July 11, 1932; May 9, 1932.

Q. Find the minutes authorizing the salary of \$10,000?—A. Yes, sir: "Minutes of meeting of the board of directors of Ernest Cousins Limited held April 14, 1932. There were present: E. A. Cousins; A. C. Corder; Ernest W. Sayer; Nathan B. Cohen; Fred Cleary. It was moved by Mr. N. D. Cohen seconded by Mr. E. W. Sawyer that the following salaries be paid, viz: Mr. E. A. Cousins \$10,000 per annum. . . ."

Q. Who is Mr. Corder?—A. He is president of the North Eastern.

Q. How much stock has he—how are these directors elected, at an annual meeting?—A. The annual general meeting.

Q. Now, I notice that these stockholders are very very small holders, all of them—all but yourself.

The CHAIRMAN: I was going to suggest doctor that if you want to let that go you might do so until the auditor comes.

By Mr. Tummon:

Q. When you were here the other day, Mr. Cousins, there was certain information I said I required, if you will recall. You wrote the clerk a letter, didn't you, asking if I would let you know what the information was?—A. Yes.

Q. Unfortunately, that letter just came to my hand last Thursday morning and I had to leave to go to a funeral and just got back this morning, and therefore I was unable to have it prepared for you. If I submit the questions that I wish to be answered by you will answer them?—A. Most decidedly.

The CHAIRMAN: Either himself or his auditor.

Mr. TUMMON: I do not think his auditor can give the information. I would be glad to get it before the auditor comes here, if Mr. Cousins will submit it.

The WITNESS: Yes. Well, now, if you will be kind enough to send for that information to-morrow—Mr. Chairman, when will you call a session of this committee again?

The CHAIRMAN: We will be meeting almost every day, but I do not know when the committee will be prepared to hear your auditor. That will be left in the hands of the sub-committee.

Mr. BOWMAN: I am going to ask that when Mr. Cousins goes home that he get in touch with his auditor and that his auditor forward to you as chairman a brief history showing the financial set-ups of the different Cousins companies down to the present time.

The WITNESS: That is all here, sir.

Mr. BOWMAN: Well, we did not understand it. I want it in a simple form so that the members of the committee can understand it.

By Mr. Bowman:

Q. Now, may I ask the witness to turn to page 346 of the evidence of March 30th and look at the bottom:—

Ernest Cousins Limited—capital structure. . . . common stock:
bonus to subscribers \$6,125.

That figures out at 1,225 shares at \$5 apiece. Do you know how that bonus came to be issued?—A. Yes, sir; I gave it myself out of my own stock.

Q. You gave it out of your own stock?—A. Yes, sir.

Q. "Preferred dividends, \$12,250." That is the equivalent of 2,450 shares?—A. That was paid in cash.

Q. Now, are you sure of that?—A. Yes, sir; \$13,394.45.

Q. I am talking about preferred dividends \$12,250?—A. Yes. I did it.

Q. Are you sure it was paid in cash?—A. Yes. \$13,394.

Q. Just a minute.—A. It was all cash.

Q. It cannot have been paid in cash. The statement showed it was issued as common stock?—A. These were preferred dividends.

Q. Yes, but it says common stock issued as preferred dividends \$12,250. That is not cash, is it?—A. Yes, sir. The real amount is \$13,394.

Q. Can you tell me why your auditor put in \$12,250?—A. That was at the end of December—that was the end of 1932.

Q. Would you mind having a look at this statement again?—A. Yes, sir.

Q. Have you page 346?—A. Yes, sir.

Q. Do you see what I refer to?—A. Yes.

Q. Do you still say after looking at it that that means cash?—A. Well, it must do.

Q. When it tells you plainly that it is common stock, preferred dividends \$12,250?—A. "Bonus to subscribers \$6,125; preferred dividends \$12,250."

Q. You take that as cash?—A. Yes.

Q. That shows, Mr. Chairman, that the witness really does not know what he is talking about?—A. Possibly I do not; but it is right here.

Q. I am sorry to say that, but it is true. On page 346 the evidence is quite clear. The company received the full consideration for the shares issued. Then the auditor's statement sets out preferred stock, and under the second heading, "common stock," not cash—"bonus to subscribers \$6,125, preferred dividends \$12,250, goodwill of acquired concern \$31,625 or a total of \$50,000 which means 10,000 non par value stock at \$5.

The CHAIRMAN: Was it issued?

Mr. BOWMAN: Yes.

The CHAIRMAN: I think we had better dismiss the witness and Mr. Tummon as chairman of the subcommittee suggests that we call the auditor for to-morrow afternoon.

The WITNESS: Don't make it to-morrow afternoon. He would not be able to get here. If you could make it Wednesday.

The CHAIRMAN: If he cannot come to-morrow afternoon, would Wednesday suit the committee? But why can he not come.

The WITNESS: Well, Mr. Senn, I would not like to spring it on him so suddenly; but if you so desire I will make him come.

The CHAIRMAN: We will do the making.

Mr. BOWMAN: It is not enough that the witness and the auditor spent all day yesterday on these books, but the witness comes here with the statements prepared by the auditor and we expected him to come here and bring the auditor. Now, the auditor is not here and we cannot get the evidence we want. I suggest that we subpoena the auditor by wire.

The WITNESS: For to-morrow afternoon?

Mr. BOWMAN: For to-morrow afternoon.

The WITNESS: I am content.

The CHAIRMAN: Very well. You will be here as well?

The WITNESS: Yes. I will be here as well.

The committee adjourned to meet Tuesday, April 11, 1933, at 3.30 p.m.

SCHEDULE "B"

ERNEST COUSINS LIMITED

MEMORANDUM RELATING TO THE CAPITAL STRUCTURE

Copy of Charter is attached—Exhibit I.

The Company was incorporated under Dominion Letters Patent, dated 9th April, 1925, with an Authorized Capital of 5,000 seven per cent Cumulative Redeemable Preference Shares of \$100.00 each, and 10,000 shares without nominal of par value, to be issued at a price not exceeding \$5.00 per share.

Copy of Agreement is attached—Exhibit II.

The Company entered into an agreement with Ernest Cousins Limited (*Old Company*) under date of 27th April, 1925, whereby it purchased the Assets and Goodwill and assumed the liabilities of that Company. The consideration for the transfer of the Assets and Liabilities and the undertaking of Ernest Cousins Limited (*Old Company*) to make a payment to your Company of \$240,000.00 was \$350,000.00. Ernest Cousins Limited (*Old Company*) accepted 3,000 seven per cent Cumulative Redeemable Preferred Shares and 10,000 shares without nominal or par value, in settlement, and these shares were issued by the Company as fully paid shares.

The Company acquired (*from Old Company*)

Net Assets.....	\$115,789 98
Liabilities.....	76,031 73

Goodwill—based on a valuation of \$5.00 for the No Par Value Shares.....	\$ 39,758 25
	70,241 75

Details of these are shown on Marrotte, Anderson & Co. accounts at 31st December, 1925—Exhibit A. Pages 1 and 2.

Sum to be paid by Ernest Cousins Limited (<i>Old Company</i>)	110,000 00
	240,000 00
	<u>\$350,000 00</u>

The Consideration was:—	
3,000 Shares Preferred Stock at \$100.00.....	\$300,000 00
10,000 Shares No Par Value Stock at \$5.00.....	50,000 00
	<u>\$350,000 00</u>

Copy is attached—Schedule II A.

The *Old Company* entered into an agreement with the Mortgage Investment Company, Limited, under date of 1st April, 1925, to sell the shares of the Company on behalf of the (*Old Company*).

Balance per Marrotte, Anderson & Co. Statements 31st December, 1925.

Balance per Marrotte, Anderson & Co. Statements 31st December, 1926.

Reconciliation of amounts (paid by Old Country):—

Cash payments as stated above.....	\$78,910 40
Cash payment to be made under amended agreement.....	83 25

\$78,993 65

Cash payments referred to under amended agreement.....
 Amount payable to (*Old Company*), (Marrotte, Anderson & Co.
 Balance Sheet at 31st December, 1928), which was later
 paid.....

	1,399 09
	<hr/>
	\$78,993 65

Copy is attached—Exhibit III.

Copy is attached—Exhibit IV.

Reconciliation Cancelled Shares:—

Originally issued to Ernest Cousins Limited (<i>Old Company</i>).....	3,000
Shares sold on behalf of (<i>Old Company</i>).....	1,531
	<hr/>
Number unsold.....	1,469

See circular to Shareholders stating full details—Exhibit V.

From the proceeds of shares sold, Ernest Cousins Limited (<i>Old Company</i>) paid on account of their debt of \$240,000.00 during the period ended 31st December, 1925.....	240,000 00
	<hr/>
	\$75,721 76

and, during the year ended 31st December 1926.....	3,188 64
---	----------

	\$164,278 24
	<hr/>
	3,188 64
	<hr/>
	\$78,910 40
	<hr/>
	\$161,089 60

During November 1928, the Company amended and changed the original agreement made with Ernest Cousins Limited (*Old Company*.)

The Company obtained supplementary Letters Patent from the Dominion Government under date of 21st November 1928, reducing the Capital of the Company by the cancellation of 1,469 Preferred Shares.

And further by changing the remaining Authorized Preferred Shares amounting to 3,531 shares of \$100.00 each with a total par of \$353,100.00 into 14,124 shares of \$25.00 each with a total par value of the same amount.

The following extracts from a circular letter to the shareholders dated 5th November 1928 will explain the reasons for altering the original agreement.

Re: Special General Meeting

"In 1925 it was considered advisable to provide new capital for the business carried on by ERNEST COUSINS LIMITED, in an estimated amount of \$240,000.00. To achieve this purchase, the present Company, having the same name as the (*Old Company*), was incorporated, the (*Old Company*) transferred the business to it as a going concern and among other things, in effect, undertook to sell sufficient Preferred Stock of the new Company to raise the above amount. In anticipation of the (*Old Company*) selling Preferred Stock to the extent required to realize the above amount of \$240,000.00, the new Company in 1925, issued to the (*Old Company*) sufficient Preferred Stock for the purpose.

The sum of \$13,425.00 was received by ERNEST COUSINS LIMITED (*Old Company*) on the sale of stock, which sum has been accounted for to the new Company, less commissions and selling expenses incurred by the *old Company* in the sale of the stock of the new Company.

The failure to realize the full amount desired was due to the failure of the underwriters of the stock to carry out their agreement.

It is not considered advisable nor opportune at the moment to make a new arrangement for the sale of the balance of the Preferred Stock, which the (*Old Company*) has and under the circumstances, it is desirable that the original agreement be modified to suit the facts of the present situation. The net assets, exclusive of the goodwill, which the (*Old Company*) turned over to the new Company, on the 27th April, 1925, amounted to \$39,758.25.

ERNEST COUSINS LIMITED—*Concluded*
MEMORANDUM RELATING TO THE CAPITAL STRUCTURE—*Concluded*

Accordingly, it has been decided by the Directors that the original contract April 27th, 1925, be modified so that the consideration payable to the (Old Company) should be \$153,183.25 represented by the business of the (Old Company) and a cash payment of \$113,425.00, less such commissions and expenses incurred by the (Old Company) in disposing of the stock of the new Company; the (Old Company) to accept in consideration of the said amount of \$153,183.25 One thousand five hundred and thirty-one (1,531) preference shares of the par value of One hundred dollars (\$100.00) each, Ten thousand (10,000) no par value shares and Eighty-three dollars and twenty-five cents (\$83.25) cash and in furtherance of the Director's decision, an agreement was entered into with the (Old Company), providing for the above amendment and a resolution providing for the entering into the above agreement was passed by the Directors.

You will be asked to ratify and confirm the resolution passed by the Directors providing for the entering into of the above mentioned agreement and furthermore, to consider and ratify By-Law No. 65, passed by the Directors reducing the preferred capital stock of the Company from Five thousand (5,000) seven per cent (7%) cumulative redeemable preference shares of the par value of One hundred dollars (\$100.00) each to Three thousand five hundred and thirty-one (3,531) seven per cent (7%) cumulative redeemable preference shares of the par value of One hundred dollars (\$100.00) each and subdividing the said Three thousand five hundred and thirty-one (3,531) preference shares into fourteen thousand one hundred and twenty-four (14,124) preference shares of the par value of Twenty-five dollars (\$25.00) each.

The (Old Company) further agreed that upon confirmation of By-Law No. 65, by supplementary letters patent to surrender for cancellation fourteen hundred and sixty-nine (1,469) preference shares, being the difference between the Three thousand (3,000) preference shares allotted to it under the original contract April 27th, 1925, and the One thousand five hundred and thirty-one (1,531) preference shares payable to it under the amended agreement, to take care of the amount required to effect the reduction of the preferred capital stock.

Upon the reduction of capital and subdivision thereof being confirmed by supplementary letters patent, the (Old Company) will transfer to each shareholder who paid for the common stock now held by them, one preference share of the par value of Twenty-five dollars (\$25.00) for each Twenty-five dollars (\$25.00) paid for the purchase of the common stock of the Company by such shareholder, so that a shareholder who paid One hundred and twenty-five dollars (\$125.00) for one preferred and one no par value share will receive from the Company four (4) new preferred shares of the par value of Twenty-five dollars (\$25.00) each and by transfer from the (Old Company) an additional preference share of the par value of twenty-five dollars (\$25.00).

The result of the proposed changes and the organization of capital will be that the shareholders of the Company will receive preferred stock for the amount of cash invested by them and Ernest Cousins Limited (Old Company) will receive preferred stock for the net amount of the assets (exclusive of good will) turned over by that Company to this Company and the balance payable by the (Old Company) will then be cleared off the books of the Company and the (Old Company) can then be wound up.

By-Law No. 65 attached—see Exhibit VI.

The above amount was paid by Ernest Cousin Limited! (*Old Company*) from the proceeds of sales of Capital Stock of the Company.

Shares sold are as follows:—	
936 Preferred Shares at.....	\$100.00
741 Common.....	\$93,600 00
40 ".....	18,525 00
100 ".....	500 00
	800 00
	<u>\$113,425 00</u>

Less: <i>Cost</i> <i>elling Stock</i> :—	
Amount paid Mortgage Investment Company, Limited:—	
Advertising.....	\$ 2,500 00
Commission on—	
Preferred Stock.....	14,290 15
Common Stock.....	18,688 69
	<u>\$ 35,478 84</u>
Commissions to others.....	<u>\$ 351 70</u>
	<u>\$ 35,830 44</u>
	<u>\$ 77,594 56</u>

The Preferred Stock above of \$153,100.00 is arrived at as follows:—
The total proceeds from the sale of Preferred and Common Shares was \$113,425.00. Under the amended plan each subscriber was given one Preferred Share of \$25.00 for each \$25.00 invested; therefore they received—
4,537 shares Preferred Shares at \$25.00.....
\$113,425 00

The original preferred shares of \$100.00 par value were exchanged for four of the new shares of \$25.00 par value. New preferred share certificates were issued to an amount equal to the common shares purchased. The Common Share certificates were retained by the purchasers.
The net value of the assets acquired from Ernest Cousins Limited (*Old Company*) was \$39,758.25. Under the Amended Agreement the consideration paid to Ernest Cousins Limited (*Old Company*) was \$83.25 in cash leaving a balance of \$39,675.00 in settlement of which that Company received—
1,587 Preferred Shares at \$25.00.....
\$39,675 00

\$153,100 00

The Company is now showing a profit and in future will be in a better position to meet dividend requirements, but it is considered advisable in the interest of all the shareholders that settlement be made for these dividend arrears from the date of issue to the date of the issuance of the new preference shares of the par value of Twenty-five dollars (\$25.00). To achieve this purpose, ERNEST COUSINS LIMITED (*Old Company*) will transfer two (2) of no par value shares from the shares held by them to each shareholder of this Company for each preferred share of the par value of One hundred dollars (\$100.00) now held.

Summing up the result under the proposed changes will be that the shareholders for each share of preferred stock and common stock purchased by them will hold certificates for preferred stock equal at par to the amounts actually paid in and will further hold three (3) shares of common stock, namely, the original share purchased and two additional shares.

The Board of Directors submits the above changes and proposals as being just and equitable both from the standpoint of the shareholders of the Company and from that of Ernest Collins Limited (*Old Company*)."

Under the amended agreement the capitalization was as follows:—

The Company acquired (<i>from the Old Company</i>)—	
Net Assets.....	\$115,789 98
Liabilities.....	<u>76,931 73</u>

Goodwill—based on a valuation of \$5.00 for the no par value shares.....	\$ 39,758 25
	<u>85,830 44</u>

Cash payments received from Ernest Cousins Limited (<i>Old Company</i>).....	\$125,588 69
	<u>77,594 56</u>

	<u>\$ 203,183 25</u>
--	----------------------

The consideration given under the amended agreement was as follows—

6,124 shares Preferred Stock.....	\$25.00
10,000 shares No Par Value Shares.....	5.00
	<u>\$ 203,100 00</u>

Cash payment to be made to Ernest Cousins Limited (<i>Old Company</i>).....	83 25
	<u>\$ 203,183 25</u>

BORDEN'S FARM PRODUCTS CO. LIMITED
703 Dominion Sq. Bldg.,
Montreal, Que.

PURCHASE AND SELLING PRICE OF MILK 1925 TO 1932, INCLUSIVE

	Purchase price		Selling price per qt.	Spread per qt.	Purchase price		Selling price Per qt.	Spread Per qt.
	Per cwt.	Per qt.			Per cwt.	Per qt.		
1925					1927			
January.....	\$2.50	\$0.0644	\$0.13	\$0.0656	\$2.90	\$0.0747	\$0.14	\$0.0653
February.....	2.50	0.0644	0.13	0.0656	2.90	0.0747	0.14	0.0653
March.....	2.50	0.0644	0.13	0.0656	2.90	0.0747	0.14	0.0653
April.....	2.50	0.0644	0.13	0.0656	2.90	0.0747	0.14	0.0653
May.....	2.10	0.0541	0.12	0.0659	2.10	0.0541	0.12	0.0659
June.....	2.10	0.0541	0.12	0.0659	2.10	0.0541	0.12	0.0659
July.....	2.10	0.0541	0.12	0.0659	2.10	0.0541	0.12	0.0659
August.....	2.10	0.0541	0.12	0.0659	2.10	0.0541	0.12	0.0659
September.....	2.10	0.0541	0.12	0.0659	2.10	0.0541	0.12	0.0659
October.....	2.50	0.0644	0.13	0.0656	2.805	0.0723	0.14	0.0677
November.....	2.50	0.0644	0.13	0.0656	2.805	0.0723	0.14	0.0678
December.....	2.90	0.0747	0.14	0.0653	2.805	0.0723	0.14	0.0677
Average.....	2.366	0.0609	0.1266	0.0657	2.55	0.0657	0.1316	0.0659
1926					1928			
January.....	2.90	0.0747	0.14	0.0653	2.805	0.0723	0.14	0.0677
February.....	2.90	0.0747	0.14	0.0653	2.805	0.0723	0.14	0.0677
March.....	2.90	0.0747	0.14	0.0653	2.805	0.0723	0.14	0.0677
April.....	2.50	0.0644	0.13	0.0656	2.805	0.0723	0.14	0.0677
May.....	2.10	0.0541	0.12	0.0659	2.03	0.0523	0.12	0.0677
June.....	2.10	0.0541	0.12	0.0659	2.03	0.0523	0.12	0.0677
July.....	2.10	0.0541	0.12	0.0659	2.03	0.0523	0.12	0.0677
August.....	2.10	0.0541	0.12	0.0659	2.03	0.0523	0.12	0.0677
September.....	2.50	0.0644	0.13	0.0656	2.03	0.0523	0.12	0.0677
October.....	2.50	0.0644	0.13	0.0656	2.805	0.0723	0.14	0.0677
November.....	2.50	0.0644	0.13	0.0656	2.805	0.0723	0.14	0.0677
December.....	2.50	0.0644	0.13	0.0656	2.805	0.0723	0.14	0.0677
Average.....	2.466	0.0635	0.1291	0.0656	2.482	0.0639	0.1316	0.0677
1929					1931			
January.....	2.805	0.0723	0.14	0.0677	2.40	0.0618	0.13	0.0682
February.....	2.805	0.0723	0.14	0.0677	2.40	0.0618	0.13	0.0682
March.....	2.805	0.0723	0.14	0.0677	2.03	0.0523	0.12	0.0677
April.....	2.805	0.0723	0.14	0.0677	2.03	0.0523	0.12	0.0677
May.....	2.805	0.0723	0.14	0.0677	2.03	0.0523	0.12	0.0677
June.....	2.39	0.0616	0.13	0.0684	1.70	0.0438	0.11	0.0662
July.....	2.39	0.0616	0.13	0.0684	1.70	0.0438	0.11	0.0662
August.....	2.39	0.0616	0.13	0.0684	1.70	0.0438	0.11	0.0662
September.....	2.39	0.0616	0.13	0.0684	1.70	0.0438	0.11	0.0662
October.....	2.805	0.0723	0.14	0.0677	1.70	0.0438	0.11	0.0662
November.....	2.805	0.0723	0.14	0.0677	1.70	0.0438	0.11	0.0662
December.....	3.20	0.0825	0.15	0.0675	1.70	0.0438	0.11	0.0662
Average.....	2.699	0.0696	0.1376	0.0680	1.899	0.0489	0.1158	0.0669
1930					932			
January.....	3.20	0.0825	0.15	0.0675	1.70	0.0438	0.11	0.0662
February.....	2.805	0.0723	0.14	0.0677	1.70	0.0438	0.11	0.0662
March.....	2.805	0.0723	0.14	0.0677	1.70	0.0438	0.11	0.0662
April.....	2.805	0.0723	0.14	0.0677	1.525	0.0393	0.105	0.0657
May.....	2.805	0.0723	0.14	0.0677	1.35	0.0348	0.10	0.0652
June.....	2.03	0.0523	0.12	0.0677	1.35	0.0348	0.10	0.0652
July.....	2.03	0.0523	0.12	0.0677	1.35	0.0348	0.10	0.0652
August.....	2.03	0.0523	0.12	0.0677	1.35	0.0348	0.10	0.0652
September.....	2.03	0.0523	0.12	0.0677	1.35	0.0348	0.10	0.0652
October.....	2.40	0.0618	0.13	0.0682	1.35	0.0348	0.10	0.0652
November.....	2.40	0.0618	0.13	0.0682	1.35	0.0348	0.10	0.0652
December.....	2.40	0.0618	0.13	0.0682	1.60	0.0412	0.11	0.0688
Average.....	2.479	0.0639	0.1316	0.0677	1.476	0.0381	0.1038	0.0657

J. J. JOUBERT LIMITEE

BUTTER MANUFACTURED IN YEAR 1932

2,061,710 lbs. of butter manufactured in 1932.

SWEET CREAM PURCHASED IN 1932

1,306,528 lbs. of cream or 452,806 lbs. of butterfat at \$117,282.84.

POUNDS OF MILK PAID AS SURPLUS MILK IN 1932

5,275,681 lbs. of milk—\$43,242.78 = .8196 Average price for surplus milk.

Milk used in manufacture to standardize cream and for ice cream.....

1,283,970

"

12,839.70 = 1.00 Average price of milk used in manufactured products.

6,559,661

"

\$56,082.48 = .8549 Average price of milk per 100 lbs. for surplus and manufacture for year 1932.

J. J. JOUBERT LIMITEE

POUNDS OF MILK PAID AT MANUFACTURING PRICE USED IN STANDARDIZING CREAM

From April 1st to October 31st, 1932.....409,711 lbs.

REPORT ON ICE CREAM

From April to December inclusively, Year 1932

Amount of Sales taxable—\$390,000.44 at 6 per cent.

Amount paid for Tax.....\$23,399 69

Less Sales Tax paid on Sales of Popsicles.....551 49

Sales Tax paid on Ice Cream Sales.....\$22,848 20

J. J. JOUBERT LIMITEE

SALE PRICE OF DIFFERENT GRADES OF CREAM—YEAR 1932

	Retail			Wholesale			
	½ Pts.	Pints	Quarts	½ Pts.	Pints	Quarts	Gallons
	cents	cents	cents	cents	cents	cents	\$ cts.
Cream—10%.....	10	20	40			25	1 00
" 15% XX.....	15	30	60	12	24	35	1 40—1 20
" 20%.....							1 60—1 40
" 25%.....	20			16			1 75—1 50—1 45
" 30%.....						45	1 80
" 35% xxx.....	25	50	1 00	20	40	45—50—42½	1 90—1 80—1 70
Sour cream—15%.....							1 10—0 95
Sour cream—20%.....	13	26	52	11	20	40	

J. J. JOUBERT LIMITEE

STATEMENT OF OPERATING RESULTS—BY PRODUCTS

12 Months ended December 31, 1932

Operating results	Past. fluid, qts.	Cream, $\frac{1}{2}$ pts.	Cultured milk, qts.	Skim milk, qts.	Butter, lbs.	Eggs, doz.
Sales.....	1,125,360 80	392,191 62	7,376 30	4,188 31	827,560 97	133,080 53
Net profit.....	29,677 42	129,969 68	(944 63)	(197 95)	(5,982 60)	(944 35)
Quantities.....	11,443,526	3,135,300	190,991	1,665,662	3,463,802	445,577
Unit averages	12 months	12 months	12 months	12 months	12 months	12 months
Sales.....	0-0983	0-1251	0-0386	0-00251	0-2389	0-2987
Cost of product.....	0-0387	0-0624	.....	.....	.....	.....
Income tax.....	0-0003	0-0047	(0-0006)	.....	(0-0001)	(0-0002)
Net profit.....	0-0023	0-0368	(0-0043)	(0-00001)	(0-0016)	(0-0019)

Operating results	Cheese, $\frac{1}{2}$ lbs.	S/M powder, lbs.	Ice cream, gals.	Summary
Sales.....	3,731 36	3,496 49	500,778 49 Ded. 43,076 69 457,701 80	2,997,764 87 43,076 69 2,954,688 18
Net profit.....	(55-62)	380 50	3,831 82	155,734 27
Quantities.....	10,370	44,751	318,186	.....
Unit averages	12 months	12 months	12 months	
Sales.....	0-3598	0-0781	1-438	.....
Cost of product.....	.....	.....	.....	.....
Income tax.....	(0-0006)	0-0009	0-0014	.....
Net profit.....	(0-0048)	0-0076	0-0106	.....

GUARANTEED PURE MILK COMPANY LIMITED

STATEMENT YEAR ENDED DECEMBER 31, 1932

OFFICE OF WRIGHT & KINGAN

CHARTERED ACCOUNTANTS

Montreal

MONTREAL, February 28, 1933.

The president and shareholders,
Guaranteed Pure Milk Company Limited,
Montreal, Que.

GENTLEMEN,—We beg to report, that we have audited the books of your Company for the year ended on the 31st December, 1932, and have prepared the accompanying statements of Assets and Liabilities, and Trading and Profit and Loss Accounts. In our opinion, they are in proper form, and present a full and fair exhibit of the position of the Company as at that date to the best of our knowledge from information furnished to us and as shown by the books.

We have verified the securities on hand and have accepted the revaluation shown last year.

We are informed that as in former years no dividend will be declared.
All our requirements as Auditors have been complied with.

Yours very truly,

WRIGHT & KINGAN,

Auditors.

GUARANTEED PURE MILK COMPANY, LIMITED
GENERAL STATEMENT, DECEMBER 31, 1932

ASSETS		LIABILITIES	
Cash on hand.....	\$ 336 74	Accounts payable—Trade.....	\$ 9,552 49
Cash in Banks.....	292,074 64	Suppliers.....	52,873 10
Stock on hand—Milk.....	\$292,411 38	Drivers Bond Account.....	26,546 79
Cream.....	3,048 40	Suspense Account.....	1,282 64
Butter.....	2,086 78	Outstanding cheques.....	70 05
Eggs.....	14,835 00		
Accounts receivable.....	20,022 18	Reserve for Tickets outstanding.....	27,899 48
Investments.....	116,279 51	" Doubtful accounts.....	\$ 7,000 00
	860,195 69		\$ 5,000 00
	\$1,288,908 76	Reserve for Depreciation of—	
Bottles.....	\$ 10,000 00	Bacteriological Dept.....	\$ 547 66
Caps.....	1,000 00	Buildings.....	143,349 85
Cans.....	6,310 91	Cans.....	5,258 11
Containers.....	21,157 19	Containers.....	16,238 37
Harness.....	7,000 00	Furniture.....	3,807 52
Horses.....	33,842 65	Harness.....	4,099 70
Horse rolling stock.....	56,600 00	Horses.....	31,118 12
Motor vehicles.....	39,585 98	Horse rolling stock.....	49,826 35
	\$ 175,496 73	Motor vehicles.....	25,967 38
Furniture.....	\$ 6,414 14	Plant and machinery.....	203,276 08
Bacteriological Dept.....	835 91		
Plant and machinery.....	394,140 34	First mortgage bonds.....	483,489 14
	401,390 39	Capital and surplus—	
Real estate Land Aqueeduct.....	\$ 67,774 00	7,500 shares no par value Common stock.....	225,000 00
North End.....	9,000 00	Surplus account.....	\$1,795,262 72
East End.....	8,335 80		
St. Catherine St.....	188,000 00		
Winchester.....	1,000 00		
	\$ 274,109 80		
Buildings Aqueeduct.....	\$ 324,966 59		
St. Catharine.....	368,461 53		
North End.....	41,080 59		
East End.....	29,162 54		
Winchester.....	2,500 00		
	766,171 25		
Goodwill.....	1,040,281 05		
	20,000 00		
	\$2,926,076 93		

The above is the statement referred to in our report.

WRIGHT & KINGAN,
Auditors.

\$2,926,076 93

GUARANTEED PURE MILK COMPANY LIMITED—Continued.

PROFIT AND LOSS ACCOUNT YEAR ENDED 31st DECEMBER 1932

Loss Bonds sold.....	\$ 1,125 00	Balance from trading account.....	\$ 138,081 53
Income tax 1931.....	22,559 43	Rentals.....	5,976 03
Balance down.....	164,374 79	Interest on investments.....	44,001 66
	<u>188,059 22</u>		<u>188,059 22</u>
		Balance last year.....	\$ 1,630,887 93
		Balance from above.....	164,374 79
			<u>\$ 1,795,262 72</u>

TRADING ACCOUNT YEAR ENDED 31st DECEMBER 1932

1932				
Dec. 31	By	milk sales.....	\$ 1,046,971 98	
		Cream sales.....	350,892 34	
		Butter sales.....	87,488 78	
		Egg sales.....	10,655 07	
		Ice.....	8,481 00	
		Steam.....	2,400 00	
			<u>\$ 1,506,889 17</u>	
		Milk stock on hand.....	\$ 3,048 40	
		Cream stock on hand.....	2,086 78	
		Butter stock on hand.....	14,835 00	
		Egg stock on hand.....	52 00	
			<u>20,022 18</u>	
				1,526,911 35
1932				
Jan. 1	To	milk stock Jan. 1st, 1932.....	3,498 59	
		Cream stock Jan. 1st, 1932.....	1,681 89	
		Butter stock Jan. 1st, 1932.....	12,143 04	
		Egg stock Jan. 1st, 1932.....	145 60	
			<u>17,469 12</u>	
Dec. 31		Milk purchases.....	535,412 29	
		Cream purchases.....	99,566 11	
		Butter purchases.....	62,335 00	
		Eggs purchases.....	8,104 66	
			<u>705,418 06</u>	
				722,887 18
				804,024 17
		Dairy charges and expenses.....	7,260 41	
		Dairy wages.....	54,166 51	
		Motive power wages.....	23,762 73	
		Caps.....	5,379 39	
		Butter cartons and wrappers.....	3,058 05	
		Egg expense.....	456 94	
		Bottles depreciation and loss.....	15,016 04	
		Water.....	3,933 22	
			<u>113,033 29</u>	
		Plant and machinery repairs.....	1,914 11	
			<u>114,947 40</u>	
				689,076 77
		Drivers' wages.....	170,832 49	
		Drivers' commission.....	46,074 10	
		Stable expenses and supplies.....	21,266 61	
		Stable wages.....	24,054 27	
		Motor vehicle wages.....	9,100 52	
		Motor vehicle expenses.....	5,668 15	
			<u>276,996 14</u>	
		Motor vehicle repairs.....	3,570 58	
		Rolling stock repairs and wages.....	5,795 44	
			<u>9,366 02</u>	
		Horses loss.....	1,508 00	
			<u>287,870 16</u>	

GUARANTEED PURE MILK COMPANY LIMITED—*Concluded*TRADING ACCOUNT YEAR ENDED 31st DECEMBER, 1932—*Concluded*1932
Dec. 31

Administration.....	\$	37,800 00	
Advertising.....		12,560 94	
Bond interest.....		19,200 00	
Building repairs and general.....		2,088 70	
Customary allowances.....		10,855 43	
Donations.....		2,100 00	
Expense.....		1,981 15	
Express.....		197 83	
Inland Revenue stamps.....		383 25	
Insurance.....		5,422 90	
Law costs.....		93 05	
Licences.....		3,871 70	
Light and heat.....		1,798 07	
Postage, phones and telegrams.....		3,969 97	
Printing and stationery.....		2,309 21	
Professional services.....		1,708 65	
Taxes: Municipal.....		19,972 46	
Federal.....		10 00	
Provincial.....		325 00	
Tickets.....		1,453 47	
Travelling.....		708 61	
Wages: General.....		2,600 00	
Office.....		49,063 00	
Washing and cleaning.....		1,236 48	
		<hr/>	
		181,709 87	
Less discount.....	\$	202 31	
Interest.....		4,077 87	
		<hr/>	
		4,280 18	
		<hr/>	
	\$		177,429 69
Gross trading profit.....			223,776 92
Less Depreciation allowed by Dominion Government.....		78,023 27	
Bad debts written off.....		7,828 42	
		<hr/>	
			85,851 69
		<hr/>	
			137,925 23
Gain on motor vehicles sold or traded.....			156 30
		<hr/>	
			138,081 53
		<hr/>	
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Government
Publications

SESSION 1933
HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

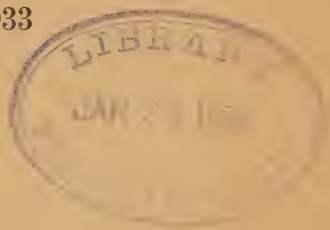
AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, APRIL 11, 1933

No. 13



Reference,—Milk and Milk Products

WITNESSES:

Cecil G. Marrotte, Accountant, Montreal.

E. A. Cousins, President, Ernest Cousins, Ltd., Montreal.

MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

TUESDAY, April 11, 1933.

The meeting came to order at 3.30 p.m., Mr. Senn presiding.

Members present, Messrs. Barber, Bowman, Bouchard, Bowen, Butcher, Dupuis, Goulet, Hay, Lucas, McGillis, Moore, Motherwell, Pickel, Porteous, Senn, Shaver, Spotton, Stirling, Taylor, Thompson, Tummon, Weese, Weir (*Macdonald*), Wilson.

Witnesses Cecil G. Marrotte, accountant, Montreal, and E. A. Cousins, president of Ernest Cousins Limited, were called, sworn, examined and retired.

The meeting adjourned till Wednesday, April twelfth at 11 a.m.

A. A. FRASER,

Clerk of the Committee.

MINUTES OF EVIDENCE

HOUSE OF COMMONS,

APRIL 11, 1933.

The Select Standing Committee on Agriculture and Colonization met at 3.30 p.m., Mr. Senn presiding.

The CHAIRMAN: Gentlemen, we will ask Mr. Cousins and Mr. Marrotte to come forward.

CECIL G. MARROTTE, called and sworn.

By the Chairman:

Q. Give the reporter your name?—A. Cecil G. Marrotte.

Q. What is your occupation?—A. Chartered accountant for the firm of Marrotte, Anderson and Company, chartered accountants.

Q. And your address?—A. 388 St. James street, Montreal.

Q. You have no statement to make?—A. No, sir.

By Mr. Bowman:

Q. How long have you been an accountant for the firm of Ernest Cousins Limited?—A. Since about 1925; perhaps a little before, 1924.

Q. So that you are familiar with the reorganization which was first planned in 1925?—A. Yes, sir.

Q. Subsequently changed in 1928?—A. Yes, sir.

Q. Mr. Cousins in first giving his evidence to the committee stated that the old business which I understand was not incorporated but was a private business operated by Mr. Cousins himself just simply as a registered company, was valued at approximately \$125,000?—A. Well, by whom?

Q. By himself?—A. He valued it at that.

Q. Himself. And I would take it from the figures which appear now at page 430 of the report of the evidence taken before the committee made up of these first items, the company acquired from the old company first net assets of \$115,789.98, less liabilities of \$76,931.73, leaving a remainder of \$39,758.25, plus goodwill of \$85,830.44 and making a total of \$125,588.69 would approximate the valuation which Mr. Cousins set upon his business?—A. Yes. It so happens that it approximates it.

Q. It approximates it. Mr. Cousins only made a rough estimate and he apparently came within \$588 of it, did he not?—A. Yes, well—

Q. We do not want to assume anything that is not correct?—A. The reason I mentioned that, Mr. Bowman, is this, that \$125,000 that Mr. Cousins valued it at had no connection with this figure—this \$125,000. The \$85,000— Let me put it this way—the \$85,000 goodwill figure is put in there to balance up with the amount of stock that was given; see what I mean? It so happens it comes to \$125,000.

Q. But it so happens that the stock that actually was issued approximates the value which Mr. Cousins placed upon the business?—A. That is right.

Q. And which, after all, would be quite reasonable, would it not?—A. Yes.

Q. Now, the real equity, however, which Mr. Cousins had in that business was \$39,758.25?—A. Right. That was the net assets.

Q. And was taken in as goodwill under the reorganization—\$85,830.44?—
A. Right.

Q. In other words, there was taken in for goodwill double what the real asset or real physical assets of the business were?—A. That is right.

Q. Now, I am not going to bother you about the 1925 set-up, Mr. Marrotte, because that will only confuse us; the 1925 set-up of the company was not carried through. That is, the agreement which was made in 1925 was not carried through because the company which undertook the flotation of your stock was not able to carry out their undertaking?—A. That is right.

Q. Now, we have then the figure of \$125,588.69, on top of which there is \$77,594.56 which was cash payment brought in from the old company, from the stock which had been sold out of the allotment previously made?—A. Yes.

Q. Bringing the total capitalization of the company then as of sometime in 1928 to \$203,183.25?—A. Right.

Q. And that total capitalization was made up of 6,124 shares of preferred stock of the value of \$25, plus 10,000 shares of no par value stock figured at \$5 per share, \$50,000, plus a cash payment of \$83.25; is that correct?—A. That is consideration; yes.

Q. Now, let us go back a step. On the other side of the page it is noted that the old company—there had been issued 936 preferred shares at \$100 at par value, making a total of \$93,600; 741 common at \$25, making a total of \$18,525, 40 common at \$12.50, making a total of \$500, 100 common at \$8 making a total of \$800; or, in all, shares issued to the total value of \$113,425; is that correct?—A. Yes.

Q. Now, when the new organization took place, Mr. Marrotte, this \$113,425 worth of stock was exchanged for an equivalent amount of preferential stock of the par value of \$25 each?—A. Not the number of shares was not—the value.

Q. No. I say the dollars' worth?—A. Yes, the dollars.

Q. And there was then issued 4,537 shares?—A. Yes. That is right; 4,537 shares—yes, sir.

Q. Now, that amount—I want the committee to get a rough grasp of this 6,124 issued finally in 1928; that is 4,537?—A. Yes.

Q. Another 1,587 of these preferred shares at \$25, bringing the total par value to \$69,675, was issued to cover the equity of the old company?—A. Yes.

Q. That was turned over?—A. Right.

Q. So that these two amounts which cover all the stock certificates that had been issued previously plus the equity which was being turned over, totalled 6,124 shares of a total value of \$153,100?—A. Yes.

Q. Now, we have got rid of the old preferred stock; we have got rid of the old common stock?—A. Well, how do you mean we have got rid of all the old common stock?

Q. That was issued?—A. Yes. That was issued.

Q. I do not mean the authorized at all, but I mean the stock that was issued; and we have a total amount of 6,124 shares of preferred stock at the value of \$25 which represents the total amount which is outstanding to-day?—A. That is right.

Q. Now, will you explain where and how the 10,000 shares of non-par value stock became issued?—A. 10,000 no-par value shares—the \$113,425 worth of stock—

Q. I beg your pardon?—A. The \$113,425 preferred stock was issued to the purchasers for cash.

Q. Not preferred—preferred plus common.

Mr. PICKEL: Preferred and common.

By Mr. Bowman:

Q. Yes, preferred and common?—A. No; only the preferred. All of the subscribers who subscribed the \$113,000.

Q. You mean the second issue?—A. Yes. They got one \$25 preferred share for each \$25 they invested in the company regardless of whether they invested in common or preferred stock, and for every \$25 they invested.

Q. Or any portion thereof, according to the dollar value?—A. That is right. Mr. Cousins' old company got \$39,675 for his assets—that is the actual assets—the net value of the assets over the liabilities; and in addition to that—

Q. In preferred stock?—A. That was all preferred stock. In addition to that the old company got 10,000 no par value shares. Those shares were given to the old company for the goodwill.

Q. They were given to the old company?—A. For the goodwill of the old company.

Q. That is the goodwill. Will you say that this will be correct: that the goodwill was written down—the goodwill is shown in the statement as \$85,830?—A. Well, yes; the goodwill is shown at \$85,830, but the \$50,000—you see, the new company—this company here took over the assets \$39,000, goodwill \$85,000, and the cash payments \$77,594. That figure came to \$203,183.25. Now, the consideration for that, as you stated before, is \$153,100 preferred stock, \$50,000 common and \$83.25 in cash.

Q. All right. In any event, this fact remains clear that the 10,000 non-par value stock was issued to the old company for their goodwill?—A. Right; part consideration.

Q. And the old stockholders, whether common or preferred, got paid to the value of one hundred cents on the dollar in preferred stock?—A. They got paid to the value of one hundred cents on the dollar for their net assets.

Q. Yes.—A. Exclusively.

Q. Now, what has happened to the 10,000 shares to be issued to the old company?—A. Well, they were given to the old company and originally—originally, in the first financial plan—

Q. That will only confuse us. Can you give us roughly something about that?—A. Just briefly what happened was this: Mr. Cousins, as the old company, got 10,000 shares. Now, during the first three years the company did not pay any dividends. They were not able to pay any dividends on preferred shares, and when the time of reorganization took place Mr. Cousins gave the shareholders three shares—one that they already had, because most of them bought the stock originally on the unit plan—and two new shares which made three shares that he gave out of the 10,000 to the preferred shareholders instead of preferred dividends. Now, that company did not give the shares. The company did give them to the old company—say, the old company, or Mr. Cousins, if you like, gave those himself personally.

Q. You say one to three. Will you take the figures that are there and show me how it works out exactly?—A. Well, I say one to three because in the first, roughly here in this 936 preferred shares you will see here are 741 common that were sold. They were probably mostly sold to the original subscribers.

Q. Tell me what common stock was issued to those people—non-par value fully issued to those people?—A. Well, they bought for \$125 one preferred \$100 share in the first instance and one common share.

Q. At the value of \$25?—A. Well, they paid \$125 for both.

Q. For the four and one?—A. Yes, for the four and one. Now, most of them bought it on that basis, so when the rearrangement was made they retained that share and were given two new shares, roughly, practically all of them.

Q. Just give me the figures of what they were actually issued at?—A. I am sorry we have not got the exact number of the shares that each shareholder got here or that was given out. I can get it for you. Approximately, they got three shares each. There may be some little difference because some of the shareholders, maybe, bought the shares at slightly different prices. Now, for

all the shareholders, the preferred shareholders bought their shares under the unit plan. They bought them, I think, three no par value shares. Some may have been sold on a slightly different plan and perhaps shares might have been treated a little different.

Q. Let us take this first. We have 936 preferred shares at \$100?—A. Yes, sir.

Q. Now, how many non par value shares were given to that group?—A. Well, I cannot tell you that.

Q. Well, cannot you give to me from the memorandum you have before you—that agreement that was made there?—A. We only made that up roughly, because we did not think you would want to know the exact number to each shareholder. That figure was simply made up by figuring. If you would explain that a little differently I might be able to understand just what your purpose in getting at this figure is.

Q. What I am trying to get at is this, Mr. Marrotte: we have now the old company paid up in full except for goodwill by issuing to them dollar for dollar preferred shares?—A. Right.

Q. Now, I want to know what happened to the non par value shares. The company say there were 10,000 issued. I want to know to whom they were issued and under what circumstances?—A. They were all issued to Mr. Cousins as I said. He gave those himself out of his personal holdings. They were not given by the company. I have no record in the company's books except in the stock book of who got those shares. You see what I mean?

Q. Will you, Mr. Clerk, hand to Mr. Marrotte No. 10 volume of the evidence and direct his attention to page 346. At the bottom of the page you will notice there is "capital structure—Ernest Cousins limited." Have you got the part?—A. Yes, sir.

Q. Do you see the memorandum "bonus subscribers \$6,125." For 1,225 shares that would be—"preferred \$12,250" or an equivalent would be 2,450 shares; and "goodwill 6,329 shares" or \$31,625. You see the point I am trying to make. In the first statement that was presented to this committee Mr. Cousins junior stated that no dividends were paid up to the year 1931. That was subsequently corrected by showing that dividends were paid by the issuing of non par value shares?—A. Well, as a matter of fact, Mr. Frank Cousins, I guess, was right; because this company did not pay any dividends—these shares were given to Mr. Cousins. Mr. Cousins gave them out of his own personal holdings.

Q. Gave them as part of the deal?—A. He gave them as part of the deal because we felt that the time the deal was made that the shareholders should get some consideration for the interest, and Mr. Cousins gave this up voluntarily. This was about two or three years after he had been given those 10,000. He did not do it at the time he got the 10,000 in the first place.

By the Chairman:

Q. There was no understanding at that time?—A. There was no understanding at that time. Mr. Cousins gave them voluntarily to the shareholders to try and be fair to the shareholders and to try and get the company in position where it would be able to pay dividends and clean up to date rather than have these three or four years after the time.

Q. Would it not have been fairer to have made the consideration at the time rather than two or three years afterwards?—A. At the time he made—when he got the 10,000 shares in the first place he anticipated, I suppose, he would not be able to pay dividends, and he had no obligation to do it.

By Mr. Bowman:

Q. Now, you would rather qualify that, I think,—“no personal obligation”—but don't forget that these are cumulative shares, cumulative preferred shares?—A. Right.

Q. And the preferred dividends by way of issue of common no par value shares were issued in 1928. They paid and were accepted in payment of the cumulative dividends which were due at that time?—A. Right.

Q. There was issued, according to that statement, for goodwill, 6325—A. Well, that statement is not quite right. This statement here was not made up for the purpose of showing the goodwill, it was made up to show what happened to Mr. Cousins' shares, to the 10,000 shares which Mr. Cousins had—that \$12,250 is supposed to represent all the shares that were given to them, and the \$6,125 represented the shares they had in the first place.

Q. Shares they had in the first place?—A. The one share which they bought.

Q. Might I ask you this question, you say that this statement is not correct, now why isn't it correct?—A. When you referred to it as showing the goodwill of the concern \$31,625, the goodwill figure of the concern here is this other figure that we have, \$85,830.44.

Q. Yes, and that is really the figure that was taken?—A. That is the figure that we set up in the statement.

Q. Absolutely, and for this Mr. Cousins received this 10,000 no par value shares?—A. Right.

Q. Because he got paid in full for the \$79,000 he had?—A. Right.

Q. In other words, we take this to be granted, that Mr. Cousins got as a sort of goodwill, as the fact is, that he got 10,000 no par value shares for the goodwill in the business. Then, of the 10,000 shares in 1928 he gave out to the subscribers to the company in settlement of preferred dividends, 2,450 shares?—A. 2,450 shares, worth about \$18,000.

Q. \$12,270 according to the statement. There had been previously given, in addition to the bonus to the various subscribers in the company, 1,225 shares or the equivalent of \$6,125?—A. Right.

Q. Now, that accounts for the 10,000 shares, and as a matter of fact, when we look at the subscription list which was furnished by Mr. Cousins yesterday, we find at the present time he holds 6,300.

Mr. COUSINS: 6,992.

By Mr. Bowman:

Q. Mr. Cousins holds at the present time 6,992 no par value shares of the company. Now, as the company developed from time to time, Mr. Marotte, the value of the preferred shares being fixed, as there was an increase in the business, and an increase in the value of the general company, the value of the no par value shares would increase?—A. They would increase, yes.

Q. Now, will you refer to the statement that is contained in report No. 10 of the evidence?—A. On what page, Mr. Bowman?

Q. On page 343.—A. Yes, sir.

Q. Now, you are familiar with the company's method of keeping books?—A. Yes, sir, financially.

Q. They set up a depreciation account?—A. Yes, sir.

Q. What is the amount standing to the credit of the depreciation account at the end of 1932?—A. This is the 1931 account that is on page 343.

Q. I think there is another for 1932 on file.

The CHAIRMAN: At page 345.

WITNESS: That is the profit and loss account only on page 345.

By Mr. Bowman:

Q. Well, have you anything to show what the depreciation account stood at at the end of 1932?—A. Yes, sir. Do you want the same statement as here? I can give it for that year too.

Q. For 1931?—A. Yes, sir.

Q. You might do that.—A. Reserve for depreciation for buildings at the 31st December, 1931, was \$10,659.53; machinery and equipment, \$30,412.81; delivery equipment, \$26,723.68; office furniture and fixtures, \$2,541.93.

Q. Making a total of?—A. A total of \$70,337.95.

Q. Now, will you give me the similar figures for 1932?—A. These are tentative 1932 figures.

Q. Yes, will you let me have them?—A. Yes, buildings, \$12,871.79; machinery and equipment, \$45,907.47; delivery equipment, \$34,021.29; office furniture and fixtures, \$3,009.99.

Q. And the total?—A. \$95,810.54.

Q. Now, that is an account set up as a reserve for depreciation, and at the end of 1932 it totalled \$95,810.54?—A. Yes, sir, \$95,810.54.

Q. Will you look at the account that you have set up for reserve of bad debts?—A. For 1931, sir?

Q. Yes, if you don't mind.—A. Is that on page 348?

The CHAIRMAN: It is on page 349.

By Mr. Bowman:

Q. Yes, where is that, Mr. Marotte?—A. On page 348, that is December 31, 1931. You were asking about the reserve, I take it.

Q. I am asking about the reserve.—Right—page 348.

The CHAIRMAN: The first item, Mr. Bowman, at the top of the page, marked "Current."

By Mr. Bowman:

Q. Now, looking at page 348, will you just tell me, Mr. Marotte, where that item is?—A. Right in the upper left hand corner there, the third item down, accounts receivable—trade, and under that less reserve, \$12,098.71.

Q. That is reserve for bad debts?—A. That is reserve for bad debts.

Q. Which is carried forward from the preceding year, or would that be the reserve at the end of the year?—A. That would be the reserve at the end of the year, we go over the accounts and figure out the accounts which we think it is necessary to provide for.

Q. That is, after you have figured out the amount that it is necessary to provide for bad debts, after you have taken that into consideration, you still have this amount?—A. No, we had to go over the ledgers and estimate the bad accounts, and those are the accounts in there that apparently are bad, but we hope they won't all be bad.

Q. Well, I can't reconcile that with the figure below, please reconcile it for me. At the bottom of that page, the bad and doubtful debts are set at \$19,401.39, would you kindly reconcile the two figures.—A. That is the amount written off for the year. There is a possible difference there as the reserve at the end of last year had to be taken into consideration, and the reserve accounts during the year written off. Any monies collected from accounts that we thought were bad last year had to be adjusted there so that the actual loss over the year was the amount written off for the year, or \$19,401.39, which brought the reserve up to \$12,098.71 at the end of the year.

Q. At the end of the year?—A. Yes, sir.

Q. But the true picture of your reserve account would be the total of these two sums?—A. No, sir, it would be the difference. One is charged against profits and the other is our provision.

Q. That you set up as reserve for bad debt accounts?—A. Yes, we charge it against our profit and loss.

Q. Well, have you that account here?—A. The details of our bad debts?

Q. No, reserve, the account itself—the reserve account that you spoke of.—A. Well, that is it, sir, that will be the total of our bad debt account,

\$12,098.71. For instance if I might perhaps explain that, as we look over our accounts at the end of the year, and we decide that we need \$10,000, well, I must make a charge in my profit and loss account of \$10,000, and I credit up my reserve for bad debts account with \$10,000.

Q. That is the point exactly that I am coming at.—A. These two figures apparently would be the same, if we had no other entries in the reserve. For instance, it is not the same at the end of 1931, as it was at the end of 1930, there would be an entry in there of the difference of the amount of money—the difference between the \$19,000 and the \$12,000. I haven't got those figures here, but if you would like me to, I can get those figures for you.

Q. You have your reserve for bad debts account?—A. Yes.

Q. And on the credit side of that account you carry forward each year a certain amount which you estimate as your bad debts for a particular year, or approximately what your bad debts will be for a particular year?—A. Exactly. There is no carry forward, there is nothing cumulative about it.

Q. I know, but just a moment, you have this on the credit side of your bad debt account?—A. True.

Q. You put on the debit side of that account, the actual loss at the end of the year, you say; so that you are carrying forward in that account from year to year, either a debit or a credit balance?—A. We carry forward the balance, only after considering the amount that it may be necessary to either reduce or increase the account by, I mean that if we had \$10,000 as reserve at the start of the year, and our loss was \$12,000 bad debts.

Q. You wrote \$2,000 off?—A. We had to write off \$2,000 bad debts, because we had written off \$10,000 the previous year.

Q. Well, this \$19,401 was the estimate at the end of the year in order to make up your financial statement. What was the amount to the credit of your reserves for bar debt account?—A. At the beginning of the year?

Q. Yes.—A. I can give you that, sir, but it won't balance.

Q. Well, as a matter of fact the reserve for bad debt accounts never balances?—A. It won't balance with this figure, but we can account for it.

Q. You can account for it, please do that?—A. Right, sir. At the end of 1930 the amount was \$8,105.56.

Q. Now, is that at the end of 1931?—A. That was at the end of 1930.

Q. Can you give it for the end of 1931?—A. At the end of 1931 it was \$12,098.71 plus—we have a special reserve for each year that we set up on the other side of \$10,000, you will find that if you look on the same page on the right-hand side.

Q. Special reserve for accounts received?—A. Yes, sir.

Q. In other words, then, what was the total reserve for bad debts set aside in the year 1931?—A. The total charge for bad debts during 1931 was this other figure that we had.

Q. That is, the \$19,000?—A. Yes, sir.

Q. Perhaps the book-keeper, I presume the young man who is sitting next to you is the book-keeper of the company?—A. No, he is a member of my staff.

Q. Oh, I see. Possibly you could tell me, Mr. Marrotte, whether or not—I know that in 1932 there was about \$18,000, I am speaking from memory, set aside for bad debts?—A. Yes, sir.

Q. Is that what the bad debts of the company ran to, \$18,000 to \$19,000 a year?—A. They have not been running at that so much, Mr. Bowman; but with present conditions the way they are and as this company has some very large wholesale accounts, it is unfortunately necessary for the company to extend credit to two or three of their important customers. What I mean by extending credit, probably you know, they are getting paid for the current stock, but their company is not in a position to pay their own account. Now, I have a memorandum of these accounts here, there are three or four different accounts.

Q. Well, speaking from memory, what would you say taking the reserve set aside from last year—about \$18,000, speaking from memory—at the present time, what would be the total outstanding for 1932?—A. The total amount still outstanding?

Q. Yes, the reason I am asking, Mr. Marrotte, I do not know much about this business but frankly the amount seems to me to be a large amount?—A. It is a large amount.

Q. A large amount to set aside for bad debts?—A. It is a large amount, but the circumstances are very unusual, and I might say that I was worried about it, as a matter of fact, because I don't think under present conditions it is going to help anybody, sir, at an inquiry of this kind to which a certain amount of publicity attaches and at which names would have to be given. I would be very pleased to show anybody, you or anyone else, any of these accounts, or if you would care to send anyone to look into them.

Q. We have no desire to do that at all, Mr. Marrotte. We are quite prepared to accept the statement?—A. I feel that the reserve is required, I don't say that the money will all be lost but I will say that I have seen other companies that were no better and some that were no worse for losses, and I think the reserves we set up at that time were fair.

Q. Yes. Now, at the beginning of 1931 the reserve which at that time was estimated goes to the credit of your reserve for bad debts account?—A. Yes, sir.

Q. That was \$12,098.71 reserve which at that time was not called upon, in fact that was reserve. This year, on the other side of the picture, you have \$12,000 for bad debt accounts which, as a matter of fact, you haven't needed?—A. Well, we needed that you see, that \$12,000 for reserve, our doubtful accounts are included in that principal figure of \$76,000. You see, we don't deduct them all, this account was included in the principal. We lost a large number of others, maybe not all, some of them perhaps we were able to collect but probably the large part of them were lost during the year.

Q. Well, I may perhaps not be very clear on the subject, but in the first place you set up your accounts receivable, your trade accounts at \$76,000 odd, then you take off as reserve \$12,098.71?—A. Yes, sir.

Q. Well, then, further down in the account in the same section you set up a further reserve of \$19,401.39.—A. Where is that?

Q. At the bottom of the page?—A. Oh, yes, that was written off. This \$19,000 includes—you see we had at the beginning of the year \$8,000. Now, if we had lost any bad debts, if we hadn't got any worse off during the year, if we hadn't had to write off any accounts, we would only have had to write off \$4,000 to bring our reserve up to what we had at the time we started this reserve.

Q. Well, at the end of the year you added a further sum to that account?—A. We added a further sum at the end of the year, because our bad debts at that time showed us that we needed that reserve.

Q. Of \$19,000?—A. No, of \$12,000, that is the figure in the balance sheet, the \$19,000 is what I had allowed for my adjustment; but to get that \$12,000, that is \$12,000 plus the \$10,000 making \$22,000, because I had the \$10,000 on the other side. You see what I mean.

Q. Well, probably some other member of the committee may be able to get it a little more clear. Now, just one or two other questions. Oh, yes, the item of goodwill in the 1931 account, on the page you are looking at, page 348—goodwill has been set up at \$87,507.44?—A. Yes, sir.

Q. Now, correct me if I am not right, this is the new goodwill account set up within the firm?—A. Yes, sir.

Q. The old goodwill, which is figured at some \$85,000 was wiped out in 1928 by paying Mr. Cousins 10,000 shares of no par value stock?—A. No.

Q. All right, what was it?—A. The \$85,000 was a goodwill charge on the new company's books—\$85,834. That was the goodwill in the new company's books of the old business. That is the value that we have had, I mean the new company has had on their books ever since the reorganization plan. Now, that \$85,000 was the difference between the consideration that the company gave for the old business and the assets they took over.

Q. Well, it was goodwill, I don't care what you call it?—A. Yes, it is the goodwill of this company.

Q. You said it was goodwill?—A. Yes, it is that balance I said.

Q. Well, if the goodwill is actually paid for do you mean to say you will continue to carry it forward in the new firm?—A. Well, the new firm is the firm that paid it.

Q. And this amount is still carried forward in the new firm?—A. Yes.

Q. Yes, now, that is for 1931. You will see the account at the bottom of the page. Have you the general account for 1932, I thought it was somewhere in this memorandum?—A. Well, I have a tentative one, I have the one for 1931 right here; the 1931 statement is at page 348, sir.

Q. What was the goodwill carried forward—have you got it for the 1930 statement or the 1932?—A. The 1931.

Q. Have you 1930 or 1932?—A. 1930.

Q. And 1932?—A. Yes, I can give that.

Q. What is the goodwill figure in 1930?—A. \$87,549.44.

Q. And that is the constant amount which has been carried forward each year since 1928?—A. No, sir, I think it was changed reducing the figure to \$85,830.44. This figure on this statement here at the end of 1930 is \$87,507.44. It is the same at the end of 1931. The difference there is about \$1,700. The reason for the change—I can get those figures if you would like to have them—the company bought, I think in 1930, a couple of small milk routes from some other individuals, and the cost of these small routes was carried at that account. I have the figures and I can get them out for you.

Q. That doesn't matter, it is just a small amount?—A. It is just a small amount, that is the reason for the change.

Q. But, in any event there remains this fact, that approximately \$87,000 is carried forward in the company's accounts?—A. Yes, sir.

Q. It is approximately the same amount for which Mr. Cousins received 10,000 shares of no par value stock at the time of the new set-up in 1928?—A. Yes.

By the Chairman:

Q. Let us understand that, Mr. Marrotte. Is that just a book entry or has he received actual cash for it?—A. Actually, I would explain it this way, the company got from the old company \$39,000 worth of assets plus cash of \$77,000, that was about \$116,000. Now, the company gave for that \$203,000, that was the common and preferred stock at a par value of \$5—and the difference between what they got and what they paid was goodwill.

Q. Yes, but is this represented by cash in the bank, or is it a mere book entry?—A. It is merely a book entry.

By Mr. Bowman:

Q. It is more than a book entry, Mr. Marrotte?—A. Well, there is an equity there I suppose to a certain amount. I say that the goodwill is simply the difference between the consideration that was paid and what he got. That is, what they paid for the value of the business over and above the value of the assets which they got must have been goodwill.

Q. Yes, but suppose we take a hypothetical case. Mr. Cousins stated a week or ten days ago that this company was worth half a million dollars. If this is true, and we have no reason to doubt it—as a matter of fact Mr. Cousins

was pretty emphatic on the point—if it is worth more than half a million, that 10,000 shares of no par value stock would be worth a lot of money?—A. If you could get half a million dollars for it, it would be worth a lot of money.

Q. As a matter of fact Mr. Cousins himself gave a very rough estimate of the value of the no par value stock which he said was worth \$20 a share; so that the goodwill of this company is, or has been, an extremely valuable thing to Mr. Cousins, providing the company is worth anything like what he thinks it is?—A. Surely.

Q. Yes.

The CHAIRMAN: Are there any other questions?

By Mr. Pickel:

Q. Mr. Marrotte, with the permission of the chairman, I would like to go into this matter of depreciation a little more fully?—A. Yes, sir.

Q. What is the total amount you put down for depreciation?—A. Would you just mind waiting a moment until I get the sheet, Mr. Pickel. You want the total amount put down for depreciation?

Q. Yes?—A. You mean what I had written off each year, or the totals of what is written off each year.

Q. I want the depreciation allowed on machinery, delivery equipment, buildings, etc.?—A. The total reserve for depreciation at the end of 1932 was: buildings \$12,871.79—I think I gave these figures before—machinery and equipment \$45,907.47; delivery equipment \$34,021.29; and office furniture and fixtures \$3,009.99; a total of \$95,810.54.

Q. How much?—A. \$95,810.54.

Q. That is depreciation?—A. That is depreciation reserve, that is not what we write off, that is what we have written off over a series of years, not in one year.

Q. Page 348 of your balance sheet at December 31, 1931, machinery and equipment?—A. Yes.

Q. \$93,000, less depreciation \$30,000?—A. Yes.

Q. Why is there such a large amount for depreciation?—A. Why is there such a large amount?

Q. Yes.—A. The amount we have written off.

Q. That is a third of the value of the machinery.—A. Yes. Well—

By the Chairman:

Q. Over how many years does that extend? That is what Dr. Pickel wants to know.—A. That is made up, as far as depreciation of machinery and equipment is concerned, there was \$6,314.15 at the end of December, 1928. That got there by an appraisal; that was not charged up to profit and loss account. During 1929 we charged \$7,374.96 to profit and loss for depreciation on machinery and equipment; and in 1930, \$13,182.68; in 1931, \$13,990.94; and in 1932, \$13,494.66.

By Mr. Pickel:

Q. Mr. Marrotte, those figures you have just given me, \$15,000, \$13,000 and so forth for depreciation, is that the actual expenditure for repairs?—A. No.

Q. That is just the amount.—A. That is additional, not repairs. Those rates, I believe, were rated up at the rate of 10 per cent on the machinery and equipment in 1929, 15 per cent in 1930, 15 per cent in 1931 and 15 per cent in 1932.

Q. Just below that, delivery equipment?—A. Yes.

Q. \$49,853.25, less depreciation of \$26,723.68. That is more than half of the value of the equipment. The next item, office furniture and fixtures, \$4,660 less depreciation, \$2,541?—A. Yes.

Q. That is over 50 per cent; what kind of office do they keep there?—A. You see, we write off for the office furniture account against profits, \$485.86 each

year, and of that amount there, \$2,541, there was \$1,383 that was set up in a depreciation account when the company had its property appraised. The appraisal company valued the property, reduced the valuation, and says it has depreciated to such and such an extent. Therefore of that amount there is \$1,383 that was a book entry, which we could have just as well shown putting in no figures; we would not have had that figure there at all. The depreciation rates—I would like to say, to the best of my knowledge and belief, that those rates are the rates that are allowed by the department of taxation. I tried to get that right.

Q. That is for income purposes?—A. Yes.

By Mr. Bowman:

Q. Might I ask Mr. Cousins if he will kindly refer to the list of shareholders which he has before him?

Mr. COUSINS: Yes.

Mr. BOWMAN: Would you mind telling me, Mr. Cousins, how many preferred shares you have? They are set out in the list.

Mr. COUSINS: 1,709 preferred shares.

Mr. BOWMAN: And the total preference shares outstanding are 6,124; that is correct, is it not?

Mr. COUSINS: 6,124, yes.

Mr. BOWMAN: That would be about a little more than a quarter of the preferred shares owned by yourself; a quarter would be 1,500 and something.

Mr. COUSINS: Yes.

Mr. BOWMAN: And of the common stock, you hold how many shares?

Mr. COUSINS: 6,992.

Mr. BOWMAN: Out of 10,000?

Mr. COUSINS: Out of 10,000.

Mr. BOWMAN: So that of the common stock, so-called no par value stock, you hold about seven-tenths?

Mr. COUSINS: A little better than half of it.

Mr. BOWMAN: Well, almost three-quarters. Now, there are quite a number of farmers and milk dealers, milk producers, who hold shares in your company?

Mr. COUSINS: Exactly.

Mr. BOWMAN: And they have only been paid in cash the dividends which are set out at page 142 of the report of the committee; is that correct?

Mr. COUSINS: Yes, sir, that is correct.

Mr. BOWMAN: The total, in so far as cash is concerned, is—

Mr. COUSINS: \$13,394.45.

Mr. BOWMAN: That is the total dividend paid to the preference shareholders in cash since the year 1921.

Mr. COUSINS: Since the year 1925.

Mr. BOWMAN: Then it is a misprint in the report, I presume?

Mr. COUSINS: It is not my fault.

Mr. BOWMAN: Well, I am asking you the question, Mr. Cousins; 1921 should be 1925. I want to be fair.

Mr. COUSINS: It has been explained to you that this business started in 1925. If they make a misprint on there, you can't blame us, can you?

Mr. BOWMAN: No. I say, is that a misprint, that 1921?

Mr. COUSINS: It is a misprint. It should be 1925.

Mr. BOWMAN: All right. For the years 1925 down to the end of 1932, your company has paid out only in cash—

Mr. COUSINS: \$13,394.45.

Mr. BOWMAN: Or five quarterly dividends of seven per cent?

Mr. COUSINS: Without the stock dividends.

Mr. BOWMAN: Outside of the stock dividends?

Mr. COUSINS: Exactly.

Mr. BOWMAN: Which, I understand from the accountant, you voluntarily paid yourself.

Mr. COUSINS: Yes.

Mr. BOWMAN: You mentioned the other day that you were yourself personally gradually picking up shares of the company?

Mr. COUSINS: It so happens sometimes, when there are shares on the market, I buy in; that is, provided I want them.

Mr. BOWMAN: Provided you want them; and I suppose provided that you get a bargain?

Mr. COUSINS: Well, I am like the rest of the world; if I am offered a bargain, I take it.

Mr. BOWMAN: Quite so; and you are more likely to be offered a bargain the less cash the shareholder gets?

Mr. COUSINS: Well, that is one way of looking at it, I suppose.

Mr. BOWMAN: Well, is it or is it not a fact?

Mr. COUSINS: I presume it would be, yes.

Mr. BOWMAN: Yes; so that to you or anybody else wishing to pick up these preference shares, it would naturally be to any purchaser's advantage that there be no cash dividends paid. You agree with that?

Mr. COUSINS: Well, you look at it in that light.

Mr. BOWMAN: I am asking whether that is so or not.

By Mr. Bowman:

Q. Now, in that list you have, Mr. Marrotte, what was the amount of the net profit in the year 1930, according to the books of the company?—A. 1930?

Q. Yes?—A. I will give it to you, Mr. Bowman. The net profits for the year 1930 were \$20,318.62 less \$2,272.25 income tax.

Q. Approximately \$18,000?—A. Yes.

Q. Net, after paying income tax?—A. Yes.

Q. What for 1929?—A. 1929?

Q. Yes.—A. \$14,974.89.

Q. \$14,000 odd in 1929; \$18,000 odd in 1930?—A. Yes.

Q. And in 1931, what?—A. There was \$18,825.30, less \$2,309.53 income tax.

Q. Yes?—A. That is, \$16,000.

Q. Net of what?—A. \$16,500 roughly.

Q. Taking the fact that in 1930 the net income of the company was greater than it was in 1931, how do you account for dividends being paid in 1931 and none in 1930?—A. Well, I can tell you—I think I can tell you what the reason is. My understanding of it is—whether the directors will agree with me I cannot say—but at the end of this year we still make some more money, but unfortunately there is no cash. We have a bank overdraft I think at the end of 1932 of approximately how much—we have an overdraft of approximately \$5,000 at the end of 1932; so there is really no cash available to pay dividends with. As I explained a few moments ago, we had certain accounts, large accounts, that had to be given extra credit. The company didn't want to do that. My own personal opinion is that is the real reason why dividends were stopped in the first place. We were not able to get money, money that we had set up in the reserve. The company was not in a position to pay dividends. It

is very difficult to get money from the bank, when you have an overdraft, to pay dividends. They don't like that policy.

Q. A company that shows that amount of depreciation written off and bad debts and everything, which I think you will admit are on the safe side at least, don't you think if they were able to pay these dividends in 1931, they could have done so in 1930; they had a greater profit in 1930.—A. Well, in 1930, of course—

Q. They had \$18,000 in profits.—A. Well, I would have to look into that. Just a minute, what is your question again? Why didn't they pay a dividend in 1930?

Q. Yes; the point I am trying to get at is this, that apparently your net profit does not seem to make any difference as to whether you pay or do not pay a dividend?—A. Well, it does, Mr. Bowman. That is hardly right. But there are two things that you must take into consideration before you can decide whether or not a company can pay dividends. One is they must make a profit, first, and then they must have the money. Now, they have used not only the profit money but they have used money that was set aside for depreciation to extend their factory or to extend their accounts. In any case, they have not got the money in the bank to-day. If they had an overdraft in the bank at the end of December, to me that is a fair reason why they could not pay dividends.

Q. Do you know whether or not that is the case in 1930?—A. That they had an overdraft?

Q. Yes?—A. As I say, I don't know why they didn't pay one in 1930, at the minute.

Q. The reason I am asking these questions—A. Sure, I can understand.

Q. There is a further question, because when Mr. Cousins was giving evidence the other day, he told us they had about \$50,000 in the bank.

Mr. COUSINS: I told you that, it is true; but I also added this, that we pay the farmers twice per month, and we sometimes do not get paid only once in three months, and therefore you have to keep that amount of money ahead of you to meet accounts due the farmers, which might run into \$100,000 or \$120,000 a month.

Mr. BOWMAN: That hardly jibes with the statement of Mr. Marrotte that you have an overdraft of \$5,000. An overdraft of \$5,000 and cash in the bank of \$50,000 hardly agree.

Mr. COUSINS: I will explain that to you.

Mr. BOWMAN: All right.

Mr. COUSINS: When all these cheques come back from the farmers, at the moment there might not have been quite sufficient money to cover those cheques, and therefore there is an overdraft, and that overdraft remains until we overtake it. If I send out \$50,000 of cheques, and there may be only \$40,000 in the bank, there is \$10,000 of overdraft, and we have to overtake that overdraft.

Mr. BOWMAN: All right, Mr. Cousins. I asked this question because different members of the committee have been getting letters from shareholders of the company, purchasers, who were induced to purchase stock in the company upon the representation that they would get the seven per cent dividend on the money, and that the company would take their milk. They would have a guaranteed market for their milk.

Mr. COUSINS: Which they did.

Mr. BOWMAN: No. Now, some of these people, in order to get a guaranteed market for their milk, borrowed money to very substantial amounts. I have in my hand a letter from one person who says that he borrowed money to the extent of something over \$1,000 for the purpose of purchasing these shares in

this company. The shares were purchased some years ago. He has been paying interest on the amount that he borrowed from the bank, and he has not been getting anything in the way of interest in returns from the company. Consequently that is the reason I am asking these questions; when you show a substantial profit of \$18,000 or \$20,000 a year and you do not pay any dividend, then it is only natural that the shareholders should wonder why.

The WITNESS: I am glad to, Mr. Bowman; I am trying to help in every possible way I can, to give you all the information.

Mr. BOWMAN: Quite true.

The WITNESS: It is a little difficult for me when you ask me to say what it was in 1930. I only spend part of my time at the business, and I am not so familiar with it; when you ask me, "Why didn't you do such and such a thing," I can't answer that. But I looked at the figures here now, and I find that while they give a \$20,000 profit in 1930, we had a deficit at the beginning of the year of \$12,457.89, which had to be made up before the company could pay a dividend.

By Mr. Bowman:

Q. What do you mean by a deficit?—A. Well, it lost money.

Q. No, no; you gave me the figures just a minute ago that in 1929 you made a profit of \$14,000 odd.—A. Just a minute, now—

Q. You gave the figures—A. I will get that for you. I should have said in 1929 we made \$14,964.29.

Q. That is my recollection. That is the figure I just gave.—A. That is right. At that time we had a deficit of \$27,000; the \$14,000 reduced it to twelve, which carried forward into 1930. That is the figure I was just trying to check up. Unfortunately when the company started they were not able to sell part of the shares, so that they really were not able to get the whole \$240,000 that they had planned to sell. In the first place, they needed that money to extend their business; they were not able to sell all their shares, so they were as a result handicapped, and they lost money. They were not able, and they lost money; and in 1930 we still had a deficit of \$12,457.89 to make up. That is, I would say a reason why they did not pay a dividend.

Q. All right. Have you the figures for 1928?—A. 1928?

Q. Yes.—A. Yes.

Q. What does that show?—A. In 1928, in that year we made a profit on the operating of the business of \$10,312.44; our surplus account,—that was credited to surplus, to which was added \$13,808.27 that was the sale of property they had on Aqueduct street. Against that we had a deficit at the beginning of the year of \$14,673, and we had to adjust our capital assets on account of moving and change of property, to the extent of \$32,488.06, which brought forward our deficit at the end of the year to \$27,432.78; and at that time we were not writing off any depreciation at all. Of course, depreciation that was not written off, was partially disposed of in that figure of \$32,000 that the appraiser gave.

Q. All right. If at the end of 1928 you have a deficit to which you referred, why was this non par value stock issued to the seven per cent holders of preferred stock, if you had deficits?—A. Well, that was—those shares were issued originally in 1925.

Q. Adjustment was not made until 1928.—A. No, but the company was not in good shape at that time, and they felt they would be able to make the shares worth something some time; and to help out, Mr. Cousins gave this up out of his own personal holdings; and the shareholders perhaps helped out by taking them instead of dividends, instead of putting that additional loan on the company.

Q. In other words, do I understand you to say this in effect, that in 1928 although there were no dividends, moneys to meet dividends, nevertheless Mr. Cousins, shall we say out of the goodness of his heart, gave to the shareholders 2,450 shares of non par value stock?—A. Yes, he gave it to the company. The company could not give it, because it could not pay dividends while they had a deficit, but he could give it.

Q. Was a new set of books set up in 1928?—A. No.

Q. Did the company show losses every year?—A. Well, what do you mean?

Q. We have not got a loss yet. From 1928 down to the present time they have all been profits, have they not?—A. Well, yes; there was an operating profit, if you like.

Q. Well— A. We still have. We have an operating profit of \$10,000. We have to take that \$32,000. Do you see what I mean? That is loss. That is got out of surplus.

Q. Get back to some year and show me where you have loss. We have had all profits yet, in every instance.—A. I will tell you what, take this 1930 statement where we started; up to that time we had a loss of \$12,457.89, without going back any farther.

Q. What about 1927?—A. Take the year 1927.

By the Chairman:

Q. These losses were not in operating?—A. The loss on the property, for instance, in the north end of the city. They moved their premises and they had to move their equipment; they bought a new building; when all these changes were made we had an appraisal.

Q. Buying of the building would be a capital investment?—A. I know; it is loss just the same.

By Mr. Bowman:

Q. Don't forget that you set up a very handsome amount or reserve for depreciation.—A. We were not at that time; we were not writing off anything.

Q. You have done pretty well since, though; \$80,000 odd. Will you kindly go back and look at 1925 and 1926, and tell me what you lost in operating?—A. In 1925, Mr. Bowman, we lost \$27,151.22.

Q. Are you talking now about your profit and loss account?—A. Yes.

Q. Does that show the net loss after your taxes are deducted for that year?—A. Well, we didn't have any taxes that year, because we didn't make any money. We lost \$27,151.22 in 1925, up to the 31st of December.

Q. Is that the profit and loss account that you have there?—A. No, that is a statement I made up for myself; but I will get the profit and loss. It is in one of these grips here, if you will just wait a minute.

Q. Well, get it.—A. \$27,151.22; that is the first year.

Q. That is loss?—A. Yes; that was before depreciation.

Q. Might I have a look at that?—A. Yes.

Q. \$48,000 wages; that seems to be a big item? What is that?—A. That is for drivers and dairy help and all that.

Q. Give me the wages of the executives for that year?—A. The wages of the executives?

Q. Well, I see, \$9,400 and something; that is all right.—A. Do you want more details? That includes office.

Q. What have you got for 1926?—A. 1926?

Q. Yes. I will have a look at this while you are looking that up. Surely there is some mistake about this, or there is some explanation of it. This company did not lose \$27,000 from April to December, is that right? There must be something taken into consideration in that item.—A. Well, I think so, sir.

By the Chairman:

Q. Did they change their premises at that time?—A. I just don't remember what date they did change them. They did move, but I am not just sure of the year. I could find that out.

By Mr. Bowman:

Q. Well Mr. Marrotte, that is the year of the new company.—A. In 1925, that was the year of the new company; that was because they didn't get the money that they figured they were going to get, and they were not able to carry it out.

Q. What was their operating loss or profit for that year, not taking into consideration what cash they didn't get or they didn't write off anything?—A. I didn't have any cash. That is only operating. I say the business might have been affected to some extent by not being able to do the business they expected they were going to be able to do; but it is really what they did.

Q. Am I to understand this: in the year 1925, when the old company sold to the new company they valued their goodwill at \$85,000 and that the loss was \$27,000 the first eight or nine months of that period?—A. Yes.

Q. What about 1926?—A. In 1926 they lost \$409.96.

Q. In 1927?—A. That was before depreciation. In 1927 we made a profit of \$13,487.25, before writing off depreciation.

Q. Then?—A. We did not write off depreciation.

Q. I think, Mr. Marrotte, there must be some explanation for the loss in 1925.—A. Well, that is the figure we had prepared at that time.

Q. I know. Take the item in the profit and loss account which you told us a moment ago.—A. But there is nothing there, Mr. Bowman. You can see the statement, there is nothing there except wages and you said yourself that wages was a big item.

Q. It seemed to be very big, \$48,000.—A. Yes.

Q. The point I am trying to make is that actually, in 1926 this business was to have been sold for \$240,000.—A. Yes.

Q. And was to be capitalized at that amount, and arrangements were made with the trust company to underwrite stock to that amount?—A. Was to be sold for \$240,000. The \$240,000 was to be paid to this company out of the proceeds of the stock.

Q. And—A. And they would have had \$240,000 in the business.

Q. Immediately they go into the business, they lose \$27,000 from April to December?—A. Yes, they lost that

The CHAIRMAN: I think Mr. Cousins made a statement that the underwriting company got away with some of the funds?

Mr. COUSINS: They did.

By the Chairman:

Q. Was that included in the amount?—A. No, that did not come in until rearrangement in 19—that did not get in here at all.

Q. That is not included in the statement?—A. That is in the goodwill. That does not come in. It did not get in in 1925—selling the stock by that company did not get into those books until we made rearrangement of the capital in 1928.

Q. Mr. Cousins made a statement the other day that the company was worth at least half a million dollars. Would you care to hazard an opinion, Mr. Marrotte, as to what the company is worth?—A. I would say—the book value of the common shares at the end of 1931, or the end of 1930—I will go back to 1929. The book value of the common shares, presuming that the preferred share value remains stationary, was \$3.75 in 1929; in 1930 it was \$5.56; in 1931 \$6.22; and in 1932 it was \$7.22, approximately.

Q. How is that book value arrived at?—A. Value of the company's stock, plus surplus, offset against that we have \$85,000 in goodwill. If we had to split that in 50,000 shares, 10,000 that we have set out were \$50,000 of common shares—if we had to list this at a value of \$4, instead of \$5, the goodwill account would be \$10,000 less.

Q. I understood you to say a while ago that you set that goodwill in the account there only as a book entry; now you state that it is a cash account.—A. No, I did not say that. I think I did say it was a book entry; I think it is the difference between the value that the company got, the value the company gave, and the assets that they got.

Q. It is really only a paper value?—A. That is all—well, I would not say that exactly because the company may have given—supposing they gave \$5,000 worth of stock for \$400,000 of value of assets. Well, all they got is the \$400,000; so the balance, presumably, is goodwill, because they are willing to give \$500,000 for it.

By Mr. Bowman:

Q. In answer to the Chairman you stated that the paper value of those non par shares was what?—A. In 1931? How is it arrived at?

Q. No.—A. \$6.22.

Q. \$6.22?—A. In 1930, at the end of 1930—

Q. Taking off depreciation, \$87,000?—A. Yes.

Q. Mr. Cousins told us the other day, and I presume it is true, in fact I have no reason to doubt his statement, that he has a real up-to-date plant, a 100 per cent plant in good running shape at the present time, one of the best in Montreal.—A. Yes, sir.

Q. And he keeps it up-to-date, so that consequently that \$85,000 or \$87,000 is a reserve?—A. You mean the goodwill?

Q. No, I am not talking about that, I am talking about—A. Machinery?

Q. Depreciation.—A. Well, we have not—there have been times when we have had to scrap some machinery or make some adjustment. We have even had a reserve—we have even had to write off additional amounts much larger, because we found the amount of depreciation which we have set up is not sufficient to take care of the different losses on the machinery.

Q. Your depreciation is there now at \$87,000?—A. Yes, surely, but the machinery is also depreciating.

Q. But he is supposed to keep his machinery at 100 per cent, in good shape?—A. I do not think any machinery is 100 per cent in good shape.

Q. I am just taking Mr. Cousins' statement; he says he keeps his plant up-to-date, machines running in good order, and is not that as good as one that is new?—A. Yes.

Mr. COUSINS: Might I explain to you, Mr. Bowman, as I explained before, the action of milk on milk machinery. The action of milk is very detrimental to it, and in a very short space of time, all the machinery becomes obsolete.

By Mr. Spotton:

Q. I should like to ask a question, Mr. Marrotte, as to when you were called in to this company?—A. When I started working?

Q. Yes.—A. About 1925.

Q. About 1925?—A. Around there, just about that time.

Q. When you were called in in 1925, was this company solvent?—A. How do you mean?

Q. In 1925 you stated the liabilities were \$70,000 and some odd. Was this company solvent?—A. Just a moment, now.

By the Chairman:

Q. It is found on page 431 of the Evidence, about the middle of the page.—
A. 431?

Q. Net assets \$39,758.25.—A. Yes.

By Mr. Spotton:

Q. What were the liabilities?—A. The net assets were \$115,789.98, less liabilities of \$76,931.73. They are right on that page, sir.

Q. \$113,000?—A. \$115,789.98 less liabilities.

Q. \$115,000 of assets and \$70,000 liabilities?—A. \$76,931.73.

Q. Liabilities?—A. Yes.

Q. Now, Mr. Marrotte, you are an accountant, or an auditor. Did you ever notice firms going into bankruptcy during the present time with similar assets and similar liabilities?—A. Well, I do not know that you could say—

Q. That is a large liability is it not?—A. A large liability, yes. The concern has a net value of its assets—

Q. Who was the valuator at that time?—A. Who valued them?

Q. Yes.—A. I do not remember that now.

Q. Was that Mr. Cousins' valuation, or an expert valuator?—A. I would have to look that up; I am inclined to think he had them valued.

Q. When you were called in, was this company financially embarrassed? Were they finding it financially hard to carry on?—A. In 1925?

Q. Yes.—A. Well, they probably were, I guess that is the reason. I know offhand they wanted to expand.

Q. Now Mr. Marrotte, just let us get this. Mr. Cousins will likely keep on retaining you. Was this company not financially embarrassed in 1925. Did they not find it hard to carry on?—A. After this company was formed?

Q. No, when it was formed, just prior to it being formed.—A. Just prior to it being formed? Well, I do not know that.

Q. I beg your pardon?—A. I cannot say that.

Mr. COUSINS: May I answer that question?

Mr. SPOTTON: No; I am not asking you this question, I will ask you some later on.

By Mr. Spotton:

Q. You admitted a moment ago that they had a hard time?—A. I said they wanted to do some refinancing, so I presume the financial arrangements were not good.

Q. You presumed that owing to this refinancing they found the struggle quite hard. They had a matter of \$70,000 worth of liabilities and possible assets, possibly valued by Mr. Cousins himself, of \$113,000. I just wanted to make that clear. Perhaps the net assets were only \$10,000, if there had been a real valuator put on the job. Now, I am told that the Cousins Company was financially embarrassed at that time, and that is the reason why it was refinanced. I have a letter in my hand stating who the doctor was who was called in, the financial doctor or the spiritual advisor, and I think it is not unkind to say that there was a financial struggle in 1925, because those liabilities are higher than the amount that anybody would value the plant for at that time. And to-day Mr. Cousins says it is worth half a million dollars. I think that we should bring it to the attention of our chief, so that he could engage Mr. Cousins as the Finance minister right away. I think Mr. Cousins' salary is \$10,000.

Mr. COUSINS: No, it was.

The WITNESS: At the present time?

By Mr. Spotton:

Q. No, up to the first of the year.—A. Up to the first of the year.

Mr. COUSINS: It was \$10,000.

By Mr. Spotton:

Q. His son Cecil gets \$5,000?

The CHAIRMAN: Frank.

Mr. SPOTTON: In 1932.

WITNESS: In 1932?

Mr. COUSINS: That was right, Mr. Spotton, it was Frank.

By Mr. Spotton:

Q. Frank. He loves both sons the same. It is \$5,000 Mr. Marrotte.—

A. Just a second, I am trying to find it here. I will have to look it up for you Mr. Spotton, because salaries have been—Frank has been charged into—has been split up, some has been charged—

Q. Mr. Cousins said one son was getting \$5,000.—A. If Mr. Cousins knows, it is o.k.

Q. It would be reasonable to believe another son would be getting the same, which would be \$20,000 to the Cousins family right away. In auditing the books, did you notice any other Cousins, any other member of the family drawing salaries? Is there not an amount given to the father or the sons for travelling expenses?—A. Is there any?

Q. I beg your pardon.—A. Is there any travelling expense?

Q. Yes.—A. Well, I would have to—

Q. Any additional amounts?—A. For travelling expenses?

Q. Well, travelling expenses.—A. I might—

Q. Upkeep of cars, their own motor cars. I understand they all drive Buick cars.—A. Yes, I think they do.

Q. Are those cars kept up by this plant? Are they repaired and furnished with gas and oil and everything, those Buick cars driven by those people?—A. I would have to look that up, Mr. Spotton.

Q. You have audited the books.—A. Yes.

Q. You have your deputy with you?—A. Yes. I cannot tell you just right away.

The CHAIRMAN: Perhaps your assistant can enlighten us.

By Mr. Spotton:

Q. My point is this: you know this is the old old scheme. It is nothing bright. It has not originated with Mr. Cousins. All joint stock companies are formed, and the family gets the controlling interest. The other poor devils put their money in it, and the family gets the controlling interest, and there are no dividends; it is all licked up in this way. That is what I am trying to get at, and what we propose to get.—A. Yes, sure.

Q. Can you tell me if Mr. Cousins, Senior, is a full-time employee of this company?—A. Well, I cannot tell that, because I am only there part time myself. So far as I know he is there every day.

Q. You cannot give us any information as to the upkeep of their motor cars?—A. Just a minute, I think so.

Q. I do not want to delay the committee, because I understand there is another witness. If you can give us that information, all right.—A. I would be very pleased to remit the information about cars.

Q. I think I shall ask Mr. Cousins a question. Mr. Cousins, do you give your full time to this \$10,000 job? Do you give your full time to the Ernest Cousins' milk business?

Mr. COUSINS: I do sir.

Q. I know it is not fair to ask you if you draw other salaries, but it is reported that you are president of—which may be correct, or may not, or may

be exaggerated—an amusement company, the United Amusement Corporation, with a capital of \$5,000,000 and many theatres. As the president and general manager of that, of course, you are not giving your full time to the milk business. I think that is not a fair question. I am just merely mentioning that. There are no more super men, they have all passed by years ago.

The CHAIRMAN: Mr. Spotton, I would suggest, unless you intend to base a question on that statement, it is scarcely fair.

Mr. SPOTTON: No, I think I am beside the point there.

By Mr. Spotton:

Q. Do you give your full time to the milk business?

Mr. COUSINS: I do, Mr. Spotton.

Mr. BOWMAN: In all fairness, I think Mr. Cousins should be given the opportunity of making any explanation he has to make.

The CHAIRMAN: Yes, I think so, unless we delete it from the Minutes of Evidence entirely. Do you care to make any statement in answer to Mr. Spotton's suggestion, Mr. Cousins?

Mr. COUSINS: The only answer I can give to Mr. Spotton's suggestion is this, that I devote my full time to Ernest Cousins Limited, and its value is what Ernest Cousins himself makes it. If my brains are dormant, that business falls by the wayside. If perchance I can make that business of value, as I am doing—and to-day it is worth 100 cents on the dollar to everybody who has put a cent into it, and I cannot make it of value to myself unless I make it of value. If I drop dead to-morrow, that business practically may go to the ground. As long as I live I can make that business pay, make it pay handsomely.

The CHAIRMAN: You have not been paying many dividends?

Mr. COUSINS: I was going to explain that. What I was going to say was this: when we started this business in 1925 and expected to get the \$250,000, we would have paid dividends right away, but lacking a certain amount of it, we continually paid capital charges out of profits.

The CHAIRMAN: Now, we are getting something that your friend, the auditor, absolutely denied a little while ago.

Mr. SPOTTON: Mr. Cousins is frank.

Mr. BOWMAN: That probably explains it.

The CHAIRMAN: That opens up the whole question again.

Mr. SPOTTON: I am sorry you stopped Mr. Cousins, as he had started to be frank.

Mr. COUSINS: Mr. Cousins is always honest in everything he says; sometimes he makes mistakes.

The CHAIRMAN: Mr. Cousins, would you enlighten the committee. Mr. Spotton made the suggestion that you were drawing a further salary, or further indemnity from the company besides the \$10,000 that has already been mentioned. Would you enlighten the company as to the total amount you do receive?

Mr. COUSINS: From Ernest Cousins, Limited?

The CHAIRMAN: Yes, from this milk company.

Mr. COUSINS: \$10,000 a year up until I got this cut.

The CHAIRMAN: And that is all?

Mr. COUSINS: That is all. As a matter of fact, I am getting less than that at the present time.

The CHAIRMAN: Do you get anything as a commission on profits or anything of that nature?

Mr. COUSINS: No, I do not. I draw a flat salary, and I might say that when this depression started, our profits were cut down, as everybody else's in the business were cut down, and I voluntarily cut my own salary.

The CHAIRMAN: I should like to ask a question of the auditor, just to clear up an impression that seems to be in the minds of some of the committee.

By the Chairman:

Q. Turn to page 349, Mr. Marrotte, of the Evidence, and you will see that in drawing up the profit and loss account for the year 1931, at the beginning of that sheet, you show the total amount of milk purchased and the total amount of sales. There seems to be a suspicion in the minds of the committee that some of the profits are hidden in those expense accounts. Did you audit this statement personally, or through your firm?—A. Through my firm, yes.

Q. What do you say in regard to that item of wages, totals of the dairy expenses? Are there vouchers accompanying those accounts?—A. Yes. To the best of my knowledge and belief, there is nothing hidden at all in the statements.

Q. We want to know that.—A. That is what I am trying to give you.

Q. We want to try to get that. I think it is wise to clear that up in the minds of the committee.—A. Yes, that is what I am trying to tell you. Some of the amounts that those gentlemen asked do seem high. I would be glad to give explanation on the charges you find high. We would be glad to tell you; I do not think there is anything there. There is certainly no attempt to mislead anybody.

Q. No? As long as we know you are auditing those accounts and there are vouchers accompanying those accounts, all right. They are in perfectly good order, and are what they represent?—A. Yes, to the best of our ability.

By Mr. Bowman:

Q. Would you kindly refer to page 343 of the Evidence, Mr. Marrotte?—A. Yes.

Q. I notice there, referring to 1931, an item, "Loss on sale of equipment, machinery, \$14,661.92"?—A. Yes.

Q. Have you any explanation for that item?—A. I can get you the figures. I know what it is, approximately. The company found it necessary at that time to scrap a lot of machinery. That is the difference of the machinery they had to scrap, the difference between the scrap values, scrap selling price and the value they had on their books. That is the difference between cost and the depreciation reserve that we had at that time.

Q. Would I be correct in saying that the \$14,661.92 replaced the scrapped machinery by up-to-date equipment?

Mr. COUSINS: That is right.

Mr. BOWMAN: That is the cost. In other words, that explains the statement made a moment ago by Mr. Cousins, that repairs to this plant are paid out of capital, as in this case. That will be correct, will it not?

The WITNESS: Mr. Gauthier says that machinery originally stood on the books at about \$22,000. We had reserve to bring that down to about the amount of \$14,000 less what they got on that machinery that was taken out and sold for approximately \$2,000.

By Mr. Bowman:

Q. So the \$44,000 that was paid for new machinery was charged into the plant? The \$14,661.92 which was charged up in profit and loss account at this time replaced that machinery with modern machinery?—A. Yes.

Q. How much more was required?—A. I would have to get that.

Q. How much more cash was expended to replace machinery that was discarded?

Mr. COUSINS: We possibly put in \$50,000 worth of new machinery in that year, possibly not as much as that.

WITNESS: A good part of it.

The CHAIRMAN: Paid for out of profits, Mr. Cousins.

WITNESS: Not charged to profits, profit money may be used for that.

By Mr. Bowman:

Q. Probably that would account for not being able to pay any quarterly dividend, that you had to expend \$50,000 for machinery.—A. Well, surely that is one of the reasons. We had to put in new machinery, to extend the plant, that is one of the reasons.

Q. Of course. I am only looking at it from what we see here. That hardly seems fair to me, that the ordinary farmer shareholder who puts in his money in the company and who expects a dividend on preferred stock, finds that the company takes \$50,000 for new machinery.

Mr. COUSINS: What are we going to do, let our business die? You cannot keep business alive unless you have up-to-date machinery. I do not suppose any machinery in the world depreciates like dairy machinery. You have continually to replace it.

Mr. BOWMAN: If you have to replace it, Mr. Cousins, your auditor told us to-day you have a reserve account set up amounting to \$87,000. If you put this \$50,000 into your expenditure last year—

WITNESS: I think he said \$87,000.

By Mr. Bowman:

Q. The reason I ask that question about the \$14,661.92— A. In 1931 the reserve for machinery was \$30,000—\$87,000—

Q. Well, that is the total.—A. Yes, we take out only the machinery, that particular machinery against that particular amount, that we have scrapped, particularly. We did not take that out of the general reserve, so much for each machine.

Q. Your reserve at the end of 1931 was \$30,000; is that correct?—A. \$30,000.

Q. Machinery?—A. Yes.

Q. What was it at the end of 1930?—A. At the end of 1930 it was \$26,000.

Q. At the end of 1930 it was \$26,000?—A. Yes.

Q. At the end of 1931, after putting in \$45,000 or \$50,000 worth of machinery, it is \$30,000?—A. Yes, because we had to take that amount of depreciation. We had no reserve there against that machinery we scrapped. We had to reduce the equipment account on the—

Q. In other words, as Mr. Cousins said a while ago, the expenses for renewing parts of discarded machinery was taken out of capital and taken out of reserve account, because the figures you just gave me proved that?—A. I say we took it out of reserve account, as much as was in it, and the balance we had to take out of our profits and loss account.

Q. Show me in your profit and loss account where you have taken out \$40,000 or \$50,000 for machinery last year?—A. We did not write \$40,000 or \$50,000.

Q. Where is that? Mr. Cousins said a moment ago they spent \$40,000 or \$50,000 last year for new machinery. Show me in your accounts where it appears.—A. At the end of 1930. These are approximate figures; \$87,000 our machinery account stood. We scrapped \$22,000 of that and brought it down to \$65,000.

Q. At the end of what?—A. At the end of 1930. The depreciation on machinery and equipment figure was \$87,000. That is what it is \$87,000, and we scrapped \$22,000. That \$14,000 is part of it. That was the cost—they

reduced their figure to \$65,000 for machinery, and we bought \$28,000 new stuff which brought it up to \$92,000.

Q. At the end of what?—A. 1931, a year later.

Q. At the end of 1931?—A. Yes, sir—during that year.

Q. Yes, but I cannot see yet. Your reserves still continued to climb year after year?—A. They did not climb very much about that time. I can get out a schedule for you. I will have to dig that all out for you. I can get out the figures for you showing what our transfer of our capital asset—what we took out and our additions, if you like.

Mr. BOWMAN: Let me ask Mr. Cousins a question. Mr. Cousins, you referred a moment ago to \$50,000 new machinery. When?

Mr. COUSINS: During the last year. Possibly during the last eighteen months. I could not tell you exactly from my own memory. On one floor alone we put in \$30,000 worth of new machinery.

Mr. BOWMAN: In one room?

Mr. COUSINS: In one room, yes.

Mr. BOWMAN: What year was that?

Mr. COUSINS: That was during the last eighteen months.

Mr. BOWMAN: Was it 1931 or 1932?

Mr. COUSINS: Some of it may have come in in the end of 1931 and some in 1932.

Mr. BOWMAN: That is \$30,000. What was the other \$20,000 for?

Mr. COUSINS: For other new machinery. We are constantly putting in new machinery. I am putting in some more to-day. I am putting in a new can washer that is costing \$5,000.

By Mr. Bowman:

Q. Bearing that in mind, Mr. Marrotte—the statement just made by Mr. Cousins—can you tell us how this reserve account still keeps climbing up and at the same time you are adding to your plant and keeping it up to 100 per cent?—A. I cannot understand what you mean. Our reserve keeps climbing up? Depreciation?

Q. Depreciation of reserve. At the end of 1932 your depreciation for reserves was \$95,810.59. Did you not charge against that account any of this new machinery?—A. Our \$95,000, as I explained a moment ago, is set up there for specific machinery. Each machine set up is included in this. Now, when we want to replace a machine—supposing the original cost was \$10,000 and we have \$5,000 set up against that in our reserve, we take out that particular machine at \$10,000, original cost, and \$5,000 out of the reserve account against that particular machine, and if there is any difference between the net value, the difference between the \$10,000 and the \$5,000—we realize when we sell it or scrap it or get rid of it—we have to charge that off—that is a loss on that particular machine.

Q. I follow that?—A. The new one is started all over again.

Q. The second item in this \$95,000 is \$45,000 for machinery?—A. Yes, sir.

Q. And after all these repairs that Mr. Cousins is talking about you still have—he says \$50,000 even in the last eighteen months—you still have set-up for reserve \$45,000?—A. I do not know that all that \$50,000 is repairs; some of it is really additions, I think, not all repairs. We did not charge \$50,000 to our profit and loss account. The only item we charged was \$14,000, as charged to assets. It does not affect our expense.

Q. That is why I cannot understand your figures. You charge up \$14,000, the amount to which I have referred \$14,661.92. Mr. Cousins comes along and tells us that you spent \$50,000.

The CHAIRMAN: And that that is paid out of profit.

Mr. BOWMAN: And that is paid out of the capital.

The CHAIRMAN: Out of the profits.

WITNESS: Not charged to our profits.

The CHAIRMAN: Mr. Cousins says it was paid out of your profits.

By Mr. Bowman:

Q. That is Mr. Cousins' statement; and we still find you have your reserve for depreciation not lessened at all, but actually increased?—A. It goes up every year; the more machinery you have the more depreciation you have.

Q. Quite true, and the more reserve you have got?—A. Yes.

Q. If that is so; then you are paying your machinery out of profits—your additions to your plant?—A. No. It is not so, Mr. Bowman. We are only paying out of our profits anything we charge to profit. If Mr. Cousins buys—say he buys \$30,000 worth of new machinery to-day not to replace anything, we do not charge that to profit and loss again, we charge it directly to our asset account. The money is used up. The cash may have resulted from profit or it may have resulted from additional capital or bank loans or whatever it was, but the new machinery is not charged to profit and loss.

Q. What happens? What do you do with your depreciation account?—A. If we have more machinery—if we have \$30,000 more machinery at the end of this year we have \$30,000 more machinery to depreciate, for our depreciation account has increased.

Q. All right. Your depreciation account in 1931 for machinery was \$30,000 odd, according to the figures you gave?—A. Yes.

Q. In 1932 it became \$45,000?—A. Yes, sir.

Q. At the same time you added to the plant, as Mr. Cousins said, some \$50,000 worth of machinery?—A. Yes, sir.

By Mr. Spotton:

Q. That \$30,000 can only come from one place; you do not pick it up off the streets in Montreal; it can only come from selling new stock or out of the profits; can it come from anywhere else?—A. No. That is what I said.

Q. Have you been selling any new stock?—A. No.

Q. Then it must be out of profits?—A. The money must come out of the profits.

By Mr. Bowman:

Q. Now, in that same year—A. Please understand it is not a charge against the profits in the business.

By Mr. Spotton:

Q. There would be that much profits used up?—A. That much money in the business if they had not bought machinery to that extent.

By the Chairman:

Q. From the profit and loss account?—A. No. It does not affect the profit and loss account. There would be that much more money left in the business if we did not buy that machinery.

By Mr. Bowman:

Q. Further down, two or three items down on page 343, after charging up in your annual statement, may I point out this, Mr. Marrotte, that that is the profit and loss account?—A. Yes.

Q. You have charged for replacements in your profit and loss account then \$14,661.92?—A. Right, sir.

Q. And below that you take out depreciation for machinery, \$13,990.94?—A. Yes, sir.

Q. In other words, in that year, you have taken out and charged to profit and loss \$28,600 odd?—A. Yes, sir.

Q. And will you now give me what your machinery is valued at in the year 1931?—A. The end of 1931?

Q. Yes.—A. The original cost of machinery was \$93,000.

The CHAIRMAN: That is right.

WITNESS: \$93,272.92.

By Mr. Bowman:

Q. Less depreciation?—A. Of \$30,412.81.

Q. What is the balance?—A. The net balance is \$62,860.11.

Q. All right, so that where you have on your books a book value of \$62,000 for machinery in 1931 you wrote off some \$28,000?—A. Yes, sir.

Q. In other words, about— —A. We wrote off only on the original cost statement, 15 per cent, which as I stated before is the rate allowed by the Department of Taxation.

Q. You wrote off somewhere between 40 and 50 per cent of the book value of the machines, and you charged it up to profit and loss, is that correct?—A. No, we wrote depreciation right off the original figure we set, we wrote 15 per cent, I think it was.

Q. I know, you wrote off 15 per cent of your figures, but on the nominal book value of machinery \$62,000—you wrote off these two sums to profit and loss a total sum of \$28,600?—A. We took it at a reduced figure and on a higher percentage.

Q. I know, but that is the fact which I am stating?—A. Yes.

By Mr. Pickel:

Q. Mr. Marrotte, on page 349.

The CHAIRMAN: Mr. Pickel, just a moment, we have another witness. Would the committee be willing to sit at a quarter after eight to hear this other witness. (Carried.)

By Mr. Pickel:

Q. At page 349 of the evidence I see a number of items such as advertising, salaries, taxes, insurance, stationery and supplies, various expenses, and I see also general expenses \$15,021.87—what has that to do with it?—A. Where is this?

Q. That is near the bottom of the left hand side of the page.—A. I can't see in this light, really.

The CHAIRMAN: Are the lights all on?

WITNESS: Would you like to know the details of?

By Mr. Pickel:

Q. Not the details particularly, but what was it?—A. Well, there is—what does the amount refer to, Mr. Gauthier? I can't give you the detail here, but I will make a note of it, and have them get it for you.

The CHAIRMAN: Have the statement sent to the clerk.

WITNESS: Will somebody advise me of that, or will I make a note of it myself?

The CHAIRMAN: Just make a note of it, Mr. Marrotte, if you please.

By Mr. Pickel:

Q. Mr. Cousins, you have how many shareholders throughout the country?

Mr. COUSINS: Quite a number.

Mr. PICKEL: What do you value your stock at to-day?

Mr. COUSINS: Well, Dr. Pickel, that is rather a hard question to answer. I would not like to say, of course they have a market value, which is just what you can get for it in the open market, that is the real value of it.

Mr. PICKEL: What do you value the stock at?

Mr. COUSINS: I never attempted to value it myself.

Mr. PICKEL: You didn't?

Mr. COUSINS: No, I never attempted to.

Mr. PICKEL: What do you think it is worth, what would you pay for it?

Mr. COUSINS: Well, that would be a question which would remain between myself and the seller.

Mr. PICKEL: Well, there are a good many sellers, if you want to make money.

Mr. COUSINS: I haven't seen but very few of them yet.

Mr. PICKEL: Do you want to buy some?

Mr. COUSINS: Possibly, if some of it came my way.

Mr. PICKEL: Would you put any price on it?

Mr. COUSINS: No, sir.

Mr. PICKEL: I can give you a list of ten or twelve who are very anxious to sell.

By Mr. Hay:

Q. I would like to ask the witness what amount of actual cash the company has in the bank at the present time as a replacement fund on depreciation account.—A. For our replacement fund? We don't have any fund for that purpose, sir. The depreciation money, whatever amount of the profit is set aside for depreciation, that money is part of the money used to buy new machinery with—it is bought with that money, but it is not kept in bonds or in the bank. It is kept in the business as is usual and customary.

Q. Mr. Bowman made reference to some person who bought stock in your company under the promise that he would have a guaranteed market for his milk, is that man still selling or delivering milk to the company?

Mr. COUSINS: I presume he is, unless he stopped of his own account. All these men have the privilege of shipping all their milk to us.

Mr. HAY: It would be interesting to know whether he still holds that stock, or whether he has been frozen out.

Mr. COUSINS: How could he be frozen out?

Mr. HAY: Well, you buy stock, you look for a bargain. You were telling us a moment ago that you buy it up when it is on the market, and when you can buy at a bargain. It will be interesting to know if he is delivering milk, if he is still delivering milk to your company, and still has his stock.

Mr. COUSINS: He may.

Mr. HAY: Evidently he has not been receiving dividends on that stock since 1925.

Mr. COUSINS: Yes, he has.

Mr. BOWMAN: Except for the ones that you gave as quarterly payment.

Mr. COUSINS: And the stock dividends.

Mr. HAY: And that no par value stock.

Mr. COUSINS: Yes.

By Mr. Wilson:

Q. Mr. Marrotte, how much have you written off during the last five years on the original cost of machinery in this company, assuming the case of a

machine which cost \$5,000, what is that written down to to-day?—A. We have written down in the last three years, I think—

Q. Let us say that the original machine cost \$1,000, I don't care what you take, how much has been written off?—A. We have written off three years at 15 per cent, and one year at 10 per cent, that is 55 per cent.

The CHAIRMAN: That is on the original value.

The WITNESS: The original value, yes, sir.

By the Chairman:

Q. Let me see, that 10 per cent that was taken off this year, do you deduct that from the amount left from last year?—A. No, sir, we wrote 15 per cent off the original value, that is what we did.

By Mr. Wilson:

Q. How long would a machine of that kind last?—A. I could not tell you that.

Q. You have some idea?—A. I go by the rate the department charges. These are, as I said before I believe, the rates allowed by the Department of Taxation. We use the same rates so that we can keep our figures in line with theirs.

Q. After you have written it off do you try to pay profits on the original cost, or do you take the depreciation figure that you put on it?—A. Supposing the machine is totally written off, that we have written the whole 100 per cent off, and it would still be in use—suppose they could still use the machine—we would not be able to write off any more depreciation on it.

Q. From the information you have given it is very difficult to find what is written off.—A. I tell you we have written off 55 per cent.

Q. Can't you figure this for me, take the case of a machine that cost we will say, \$1,000.—A. A machine that cost \$1,000 four years ago, we have written off 55 per cent on that machine, it now stands on the books at \$450.

Q. Some machines may be entirely written off.—A. We didn't write any of them off before that, that is all we have written off.

Q. When did you start to write off depreciation?—A. In 1929, that is the first year we started to write off, but before that there was a sum put in the reserve at the time the arrangement was made, but even at that I don't think there is any machine totally written off—there might be some delivery equipment totally written off.

The CHAIRMAN: Are there any other questions gentlemen?

By Mr. Taylor:

Q. I just want to refer to the reference that was made in the evidence that the business done by this company is about 88 per cent wholesale, is that right Mr. Cousins?

Mr. COUSINS: If the percentage is there, yes sir.

Mr. TAYLOR: It is shown as 88 per cent wholesale, and 12 per cent retail. What is the main item in your wholesale business, who are your important customers in the wholesale business?

Mr. COUSINS: I can't tell you that sir.

Mr. TAYLOR: I understand you have considerable trade with the shipping interests or navigation, have you?

Mr. COUSINS: Some, yes. That is part of every man's business.

Mr. TAYLOR: Certainly. I am not finding any fault.

Mr. COUSINS: It is perfectly all right.

Mr. TAYLOR: Does it compose a large percentage of it?

Mr. COUSINS: No. It is certain percentage, but not a large percentage.

Mr. TAYLOR: Not a large percentage?

Mr. COUSINS: No. As a matter of fact, it is a very small percentage.

Mr. TAYLOR: Very small?

Mr. COUSINS: Yes.

Mr. TAYLOR: I was taking your milk purchases say in 1932. I found that after the navigation season opens your surplus increases tremendously, almost equal to your association price, and I was wondering if you would explain if you had trade with the shipping interests.

Mr. COUSINS: No. It has nothing to do with it. You know, cows start to calve in springtime, and double up the milk supply.

Mr. TAYLOR: Now, you are getting away. For instance, in January, you purchased 1,400,000 pounds of milk, with 393,000 pounds of surplus; in February, you purchased 1,300,000 pounds or 1,400,000 pounds, with 384,000 pounds surplus; in March, you purchased 1,600,000 pounds, with 255,000 surplus. The navigation season would open then. You see next month, in April, you only purchased 1,400,000 pounds approximately, and you have 554,000 pounds of surplus. Then in May, you purchased 1,500,000 pounds approximately, and you had about 731,000 pounds surplus after navigation is open. I understood you had a large trade with the shipping interests.

Mr. COUSINS: I would have no power on the surplus.

Mr. TAYLOR: You would have a larger sale for your milk in the navigation season in the wholesale trade.

Mr. COUSINS: It might shrink somewhere else, sir.

The CHAIRMAN: Now, gentlemen, Mr. Marrotte informs me that he wants to catch the 6.15 train if possible. He has only about twenty minutes to do it. Unless you have something very important, I would suggest that he be allowed to go, unless you want to hold him over. Is the committee satisfied to release Mr. Marrotte?

(Carried).

Witness retired.

The CHAIRMAN: Gentlemen, you are satisfied to let Mr. Cousins retire as well?

Mr. PICKEL: Temporarily.

The CHAIRMAN: Then we will adjourn until 8.15 p.m.

The committee adjourned at 5.55 p.m. until 8.15 p.m.

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SESSION 1933
HOUSE OF COMMONS

SELECT STANDING COMMITTEE

ON

AGRICULTURE AND COLONIZATION

1933

MINUTES OF PROCEEDINGS AND EVIDENCE

TUESDAY, APRIL 11, 1933

No. 14

Reference,—Milk and Milk Products

WITNESS:

Joseph L. Roberge, Montreal.



MINUTES OF PROCEEDINGS

HOUSE OF COMMONS,

TUESDAY, April 11, 1933.

The meeting came to order at 8.15 p.m., Mr. Senn presiding.

Members present: Messrs. Bertrand, Bowman, Bowen, Butcher, Gobeil, Hay, Jones, McGillis, Moore, Mullins, Pickel, Senn, Shaver, Simpson, Spotton, Stirling, Thompson, Tummon, Weese, Weir (Melfort), Wilson.

JOSEPH L. ROBERGE, storekeeper, of Montreal, was called, sworn and examined. Witness retired.

On motion of Mr. Simpson, the Clerk was instructed to summon officers of the Montreal Dairy, Montreal, to appear before the committee on Thursday next; Witness Roberge to reappear at the same date.

The meeting adjourned at 9.30 p.m. till Wednesday, April 12, at 11 a.m.

A. A. FRASER,
Clerk of the Committee.

MINUTES OF EVIDENCE

EVENING SITTING

HOUSE OF COMMONS,

April 11, 1933.

The CHAIRMAN: Call Mr. Roberge.

JOSEPH L. ROBERGE, called and sworn.

By the Chairman:

Q. Will you give your name and occupation to the committee?—A. Joseph L. Roberge.

Q. What is your occupation?—A. Storekeeper.

Q. And your address?—A. 6701 Delormier avenue, Montreal.

Q. I understand that Mr. Roberge has no statement to make, so we will ask Mr. Tummon to examine him.

By Mr. Tummon:

Q. Mr. Roberge, have you had any experience with a dairy or milk distributing company?—A. Yes, sir; twelve years experience.

Q. Twelve years?—A. Yes, sir.

Q. In the city of Montreal?—A. In the city of Montreal.

Q. You were an employee, were you?—A. Yes, sir.

Q. You are not now engaged?—A. No, sir.

Q. How long since you ceased to be with a dairy company?—A. Over one year now.

Q. And you say that you have been in the employ of a dairy company for twelve years?—A. Twelve years, yes, sir.

Q. With the one company?—A. Only one company, the same company.

Q. The same company. Now, will you tell the committee just in what capacity you were employed; that is, what position did you hold?—A. I used to make the purchases of milk and cream for the company and used to also make remittances to the farmers, and I attended to the production department also, and make all reports regarding production.

Q. There was, I presume, a superintendent or manager over you?—A. A superintendent and a general manager.

By the Chairman:

Q. Were they the same person?—A. Two different persons.

By Mr. Tummon:

Q. You took instructions, I presume, from the superintendent?—A. From the superintendent or general manager.

Q. Either one?—A. Either one.

Q. You say that you kept the records in regard to milk?—A. Yes, sir.

Q. In regard to milk that was purchased?—A. Was purchased, yes, sir.

Q. And you made up the accounts?—A. Yes, sir.

Q. The accounts to be paid monthly to the producers?—A. Yes, sir.

Q. Did you write out the cheques?—A. Yes, sir.

Q. Did you sign the cheques?—A. Yes, sir.

Q. Were there any other names that went on the cheques besides your own?—A. The superintendent or general manager, when one was missing.

Q. Now, in this company with which you were employed did they have a certain amount of surplus milk or what they called surplus milk?—A. Yes, sir; they had.

Q. Will you explain to the committee just what is meant by surplus milk, or what surplus milk was?—A. That is the milk they received in surplus over what they need for pasteurizing.

Q. And what was sold as fluid milk in bottles?—A. Yes, in bottles.

Q. That is, if they received 2,000 gallons of milk from the producer to-day and only required 1,900 to go out for sale in bottles, that day there would be 100 gallons of surplus?—A. Yes, sir, surplus.

Q. Now, then, I presume that at the end of each month, perhaps,—how did they pay, once a month?—A. Twice a month.

Q. Then, did you make out what the surplus percentage was twice a month?—A. Only once a month; only at the end of the month.

Q. Then at the end of each month the actual or real amount of surplus milk was known?—A. Yes, sir.

Q. And I suppose then that the real amount of surplus milk or actual surplus milk was divided pro rata among the producers?—A. Yes, among the producers.

Q. And the producers were paid for surplus milk according to the actual or real surplus, were they?—A. No, they were not; they charged more.

Q. Just a moment now. You say there was an actual surplus?—A. Yes.

Q. That was known at the end of each month?—A. Each month, yes.

Q. And when the producers were paid at the end of the month they were not paid for the actual surplus?—A. No.

Q. How were they paid?—A. They over-charged them. They over-charged the surplus.

THE CHAIRMAN: Let us be specific. You say they over-charged them. Those pronouns are confusing.

By Mr. Tummon:

Q. If they did not pay them according to the actual or real surplus, what happened?—A. Well, they received less.

Q. The purchaser received less?—A. Yes.

Q. How did they receive less?—A. I have some figures.

Q. Now, let me ask another question. Did I understand you to say that the producers were paid at surplus prices for milk that was really not surplus?—A. Yes.

Q. You said you had some figures?—A. I have some figures. I will show you.

Q. Can you give the committee then an actual example?—A. I take, for instance, for nine months, 1931.

Q. What months were they?—A. Starting January to September, to the end of September; that is nine months.

A. Starting at January?—A. Until the end of September.

Q. Now, then, these figures you are going to give us—they are not imaginary figures are they?—A. No, they are real figures.

Q. Not given to illustrate what has happened. They are the actual figures upon which the producer sending milk to that company was paid during those nine months, were they?—A. Yes.

By the Chairman:

Q. Will you tell us where you got the figures?—A. When I was in the company.

Q. From the books of the company?—A. Of the company. I keep these records from the company.

By Mr. Tummon:

Q. Now, all right. Let us take that first nine months of the year 1931. Can you tell us what the amount of the actual surplus was for those nine months?—A. Yes, sir; it was 538,000 pounds surplus.

Q. 538,000?—A. And 89 pounds; surplus.

Q. 538,089 pounds?—A. 538,089 pounds.

Q. How much surplus milk was the producer charged with?—A. 1,140,343 pounds.

Q. That is 1,140,343 pounds?—A. Yes, sir.

Q. Then, the actual surplus for the nine months you say, was 538,089 pounds?—A. Yes.

Q. But the producers for those nine months were charged with 1,140,343 pounds?—A. Yes, sir.

Q. Now, do I understand you correctly that the producers were paid surplus prices for the actual surplus and in addition they only received surplus for the difference between 538,089 pounds and 1,140,343 pounds that was not surplus milk at all?—A. Yes, sir.

Q. Just let us take—you have the figures there for the month?—A. For the nine months.

Q. Can you start at January?—A. Yes, sir.

Q. Let us take January, 1931. How much was the actual surplus?—A. 35,520 pounds.

Q. How much did they charge to the producer?—A. 65,467.

Q. Can you tell us what the association price was for that month?—A. \$2.40 per hundred pounds.

Q. That was the price that was agreed upon when they sat in together; that the distributors and producers agreed upon?—A. Yes.

Q. That was the association price agreed upon, \$2.40?—A. Yes, sir.

Q. Now, then, what was the price paid, really paid for surplus milk? Did they pay \$2.40?—A. No. They paid the skim price according to the butter market, \$1.25 for 100 pounds.

Q. For surplus milk?—A. Yes, for that month.

By Mr. Bowman:

Q. \$1.25?—A. \$1.25.

Q. I do not want to interrupt Mr. Tummon, but would you repeat those figures for January?—A. Yes. Do you mean for the actual surplus? 35,520 pounds. That was the actual surplus.

Q. And the surplus settled for?—A. 65,467.

By Mr. Tummon:

Q. Now, then, Mr. Roberge, did this company that you were employed with—did they pay the association price for that milk that was not surplus milk—for the milk that was distributed as fluid milk; did they pay \$2.40?—A. They did not.

Q. What did they pay?—A. Paid an average of \$2.18.

Q. \$2.18 per 100 pounds?—A. Yes, that is the average that the farmer received for January.

Q. Have you any figures to show what the farmer would have received if he had not been charged with the extra amount of surplus or that was not surplus?—A. He should have received \$2.30 a 100 pounds.

Q. Instead of \$2.18?—A. Instead of \$2.18.

Q. The producer lost 12 cents a 100 pounds in the month of January, 1931?—A. Yes, sir.

Q. Because that company charged 100 per cent more for surplus than they really had. Now, what about February? How much actual surplus was there?—A. 12,550 pounds.

Q. And how much surplus?—A. 62,455.

Q. Now, then, was the association price the same in that month as in January?—A. Yes. It was the same, \$2.40.

Q. What was the average price they paid?—A. They paid \$2.17 to the farmer.

Q. What would he have got if he had not had that extra amount of surplus?—A. \$2.36.

Q. Then there was difference—A. Nineteen cents.

Q. Nineteen cents a hundred pounds the farmer lost in that amount because they charged more surplus than they should have?—A. Yes, sir.

Q. How much was the actual surplus in March?—A. 20,572.

Q. And the surplus charged back to the producer was how much?—A. 86,817 pounds.

Q. What was the association price for milk at that time?—A. \$2.03 per 100 pounds. It was reduced for March.

Q. How much did the company pay?—A. \$1.84.

Q. What should they have paid if they had not charged the extra surplus?—A. Exactly \$2.

Q. And the producer lost—A. Sixteen cents.

Q. Take the next month, April; how much was the actual surplus at that time?—A. 60,672.

Q. And the surplus charged to the producer?—A. 135,503 pounds.

Q. What was the association price?—A. The same price, \$2.03 per 100 pounds.

Q. And they paid?—A. One dollar and eighty cents.

Q. And they would have paid?—A. One dollar and ninety-two cents.

Q. Had they not charged an extra amount back to the farmer?—A. A loss of 12 cents.

Q. Now, take May. What was the actual surplus?—A. 179,100 pounds.

Q. And they charged back to the producer?—A. 196,834 pounds.

Q. And the association price was?—A. Was the same, \$2.03.

Q. What did they actually pay the producer?—A. One dollar and sixty-eight cents.

Q. And if there had not been the extra surplus paid back?—A. One dollar and seventy-one cents.

Q. A difference of—A. Three cents.

Q. Take June, what was the actual surplus?—A. 109,830 pounds.

Q. And the surplus charged to the producer was, how much?—A. 162,154 pounds.

Q. What was the association price?—A. It was reduced in June to \$1.70.

Q. This company paid the producer?—A. \$1.48.

Q. If it had not charged extra surplus back to them, what would it have been?—A. \$1.55.

Q. The difference is seven cents?—A. The difference is seven cents.

Q. July, what was the actual surplus?—A. 39,105 pounds.

Q. How much surplus was charged back to the producer?—A. 156,827 pounds.

Q. What was the association price for that month?—A. \$1.70.

Q. What did the company pay the producer?—A. \$1.50.

Q. What would they have paid if they had not charged extra surplus?—A. \$1.64.

Q. A difference of 14 cents?—A. Fourteen cents.

Q. Take August, what was the actual surplus?—A. 43,248 pounds.

Q. And the surplus charged back to the producer?—A. 147,661.

Q. And the association price?—A. \$1.70.

Q. What did they pay?—A. \$1.48.

Q. And if they had not charged extra surplus back how much?—A. \$1.63.

Q. A difference of?—A. 15 cents.

Q. Now, September, what was the actual surplus?—A. 37,500 pounds.

Q. What was the amount charged as surplus?—A. 136,625 pounds.

Q. That was what was charged back to the farmer. What was the association price?—A. \$1.70.

Q. They paid the producer?—A. \$1.48.

Q. What would they have paid them if there had not been so much surplus?—A. \$1.64.

Q. And that was a difference of?—A. Sixteen cents.

Q. Now, you say that what you have been telling us, these figures you have given us, are the actual record of this company for the period mentioned, while you were employed as a book-keeper there?—A. Yes, sir.

Q. Now, you are speaking only in regard to the one company?—A. Yes, sir.

Q. Have you any actual knowledge as to whether or not this method is carried out with regard to surplus milk, whether it is followed by any other company?—A. I think it is carried out, I think other companies do the same thing. I know there are many complaints from farmers who sold milk to the company I worked for. They would ask where they were to ship, and some of them were told to ship to such a company.

The CHAIRMAN: You cannot swear to hearsay evidence.

Mr. TUMMON: You have no actual knowledge?

WITNESS: I can only say what I know about it.

The CHAIRMAN: Don't repeat conversations you have heard. Just give us your actual knowledge.

By Mr. Bowman:

Q. Now, have you any objections to telling us what company you were employed with?—A. I would rather not tell. I don't like to have the committee—I can't tell the name.

Q. You have no objection to telling the Chairman privately?—A. No, not at all.

Q. You will do that?—A. I will do that.

Mr. BOWMAN: I might say that Mr. Roberge did not come of his own accord, he was summoned here by us to give evidence. So far as I am concerned in regard to that, I am quite satisfied.

The CHAIRMAN: I am not certain, Mr. Bowman, that is casting a reflection on almost any company in the city of Montreal. The evidence being given may cast a reflection on any of the companies that have been before us, or any other company, leaving a rather serious reflection on them; I do not like to see that.

Mr. PICKEL: Mr. Roberge, what was done with the actual surplus milk?

Mr. THOMPSON: I think we should settle this point before we go any further.

By Mr. Bowman:

Q. Might I follow up Mr. Tummon's questions by asking the witness a few, just to make clear the purport of his evidence? Do I understand, Mr. Roberge, from the information you have just given to Mr. Tummon and the committee, that in the month of January the two figures that you quoted there, 35,520 pounds and 65,467 pounds are separate?—A. No, the 35,000 was included in the 65,467 pounds.

Q. That it is included in the 65,467 pounds?—A. The difference is what he overcharged the farmer.

Q. I see, that is quite correct, so that according to the information which you gave to the committee, the producer actually lost that 12 cents a hundred.—A. On the difference.

Q. On the difference between 35,520 and 65,467. Now, just to make that clear; you have said to Mr. Tummon that the association price was \$2.40 a hundred?—A. Yes, that was the association price.

Q. Well then, you quoted a figure of \$2.30.—A. That is what they should have received if they charged only the actual surplus.

Q. If they had charged only the actual charge.—A. But they did charge certain surplus, they charged over, that is why this price is reduced to \$2.18.

Q. Yes?—A. That means a loss of 12 cents.

Q. What is the actual loss there, figured out in dollars and cents, on that amount? Is that not a loss of 12 cents on the total of 65,467 pounds?—A. No, well you see I have not the total reception, I need the total reception for that, you see, I have only what has been-charged in the surplus.

Q. Well, I will not question further, because Mr. Tummon is more familiar with that point than I am; but I would ask you to clear up for the sake of the committee, just what the actual loss would be for that month, then we will know what it is for the rest of the period.—A. Well, I can't tell you, I have not the total milk received for that month, I have only the surplus, you see.

Q. Well then, will you tell us just what is the significance of those figures you quoted—\$2.40 is the agreed price between the association and the producer, then you say that he should have received \$2.30?—A. Yes.

Q. As a matter of fact, he only received \$2.18?—A. \$2.18, yes.

Q. That was a loss of 12 cents per hundred?—A. Yes, sir, the loss on all what he shipped to the dairy.

Q. On the whole milk?—A. Yes.

Q. All of it?—A. No, on the surplus.

Q. Not only on the surplus?—A. That is on the shipment.

Q. But on top of that, the milk which was not part of the surplus at all?—A. Yes.

Q. I see. Now, Mr. Roberge, you haven't got the figures showing in addition to the surplus which you have already given to us—have you got the figures showing the amount of milk they were paid for at the whole milk price?—A. No, I haven't those figures, I have only for one month.

Q. Well, will you give us for that month, please?—A. That is September, 1931.

Q. Now, in the month of September, according to the figures you have already given, the milk surplus was 37,500 pounds?—A. Yes, sir.

Q. And the surplus which was charged to the producer was set at 136,625 pounds?—A. Yes, sir.

Q. Now, will you tell us what was sold to the company that month and actually accounted for, over and above the surplus?—A. The company in that month received 856,251 pounds.

Q. 856,251 pounds?—A. Yes.

Q. And they pasteurized?—A. They pasteurized 818,751 pounds.

Q. 817,751 pounds?—A. No. 818,751 pounds, and they skimmed 37,500 pounds—that is the figure I gave you, the actual surplus.

Q. Just wait till I see if that coincides—yes, that is O.K.—A. You see, that amount—if you take 136,625 pounds, if you figure out skim price 70 cents per hundred pounds.

Q. That is 70 cents, now that is surplus milk price?—A. That is skim price—surplus price, yes.

Q. Just a minute now, during that month you have shown that the difference in the price was \$1.64 as compared with \$1.48.—A. That is the average price they should have received.

Q. That is what they should have received, but they only did receive \$1.48.—A. \$1.48, I mean.

Q. The 16 cents per hundred was figured on the total of 856,251 pounds.—

A. I think, yes,—that is the loss.

Q. Yes, and that gives us the picture.—A. Yes.

Q. The complete picture?—A. That is the only one I have on the reception, that is why.

Q. Well now, they want me to do a little figuring here.

The CHAIRMAN: In respect to this company, I certainly think—

Mr. BOWMAN: Mr. Chairman, if you would just let me have a moment we will clear up these details. That figures out—perhaps somebody will check me if I am wrong—that figures out in that one month that the producers lost \$1,370 by the improper grading of the surplus. What would you say about the other months, would they be somewhat along the same line?

WITNESS: It is all the same according to the—

Mr. BOWMAN: Varying in accordance with the figures which you have already given us, but you have not got the figures showing the total production during each month.

The WITNESS: No, that is the only one I have.

The CHAIRMAN: I think I should make some kind of a statement about the witness' attitude in regard to giving the name of the company. As I said a moment ago, it seems to me that the evidence given before the Committee to-night without disclosing the name of the company, is rather casting aspersions on almost any company in the city of Montreal. I do not know whether any assurance was given to the witness that he would not be asked for the name, but I feel sure of this at least, that a great number of people in the city of Montreal will know with what firm Mr. Roberge was identified prior to or during this time, so that it will be an open secret to say the least. I can readily understand that you might not wish to have the name in the newspaper—the reporters are here—but I think that the name should be disclosed by the witness, unless some real assurance was given to the witness that he would not have to disclose the name.

By Mr. Tummon:

Q. Mr. Roberge, I think you know the feeling of the committee; they hesitate to put you in a box; they hesitate to make things unpleasant. I agree that it would be much better if you would name the company with whom you were employed.—A. If it is better for the investigation, I will tell. It is the Montreal Dairy.

By Mr. Pickel:

Q. Is the Montreal Dairy doing business now?—A. It is the same people, except they changed the name.

Q. What is done with this surplus milk?—A. The real surplus, you mean?

Q. The real surplus?—A. It is skimmed.

Q. What was done with it; was it distributed as cream?—A. As sweet cream or used sometimes for ice cream.

Q. Was much of it churned into butter?—A. No, they didn't.

Q. You were acting as what, secretary?—A. No, buyer for milk and cream.

Q. What was your official title; you were just a buyer?—A. Buyer. I used to remit to the farmers, used to make all the reports of production of the farmers.

Q. Who told you how much of surplus milk and how much of the fictitious milk, fictitious surplus? How was that come to?—A. That was from the manager.

Q. They told you how much to put down?—A. Yes, and the prices.

Q. You say by the month that the association price was so much.—A. So much.

Q. But they only paid so much?—A. Yes.

Q. Why was this discrepancy? Why didn't the producer get the whole price?—A. He got the whole price of \$2.40 for a certain number; just the figure that is paid was the association price at \$2.40, but they tell the farmers they have more surplus than they really have.

By Mr. Bertrand:

Q. Can you tell us what they do with the surplus milk?—A. You mean the real surplus or the other?

Q. With the real surplus?—A. They skim it.

Q. And what is done with the skim, used for table or sweet cream?—A. It is used for table cream or ice cream.

Q. It is used for table cream and ice cream?—A. Yes.

Q. You said a moment ago there was a certain amount pasteurized; for instance, you mentioned in a month they pasteurized so much; I think it was for the month of September?—A. Yes.

Q. Giving a certain quantity as real surplus and a certain quantity as added surplus milk?—A. Yes.

Q. Now, the real surplus milk, that is in September—do I record the month properly?—A. Yes.

Q. Was that all skim?—A. Yes. That is the real amount of milk skimmed.

Q. You have no figures as to what were their revenues for that skim milk, I suppose?—A. No, not now.

Q. In your knowledge, do you think that it brings the company less, as much or more, sold for sweet cream?—A. The milk they use—they skimmed to be sold for cream purposes should have been paid the same price, the regular price.

Q. That is not my question. Do you know if it brings, once it is sold into cream— A. Yes.

Q. Either sweet cream— A. Yes.

Q. Or for ice cream purposes?—A. Yes.

Q. The manufacturer of ice cream, does it bring to the company less, the same or more money?—A. More money; because the milk is paid on account of the butter market.

Q. Supposing you had one hundred pounds of milk and sell it as fluid milk?—A. Yes.

Q. It brings a certain amount?—A. Yes.

Q. Suppose you skim that milk and put it in sweet cream, and you sell it as sweet cream; will it bring as much a hundred pounds?—A. Just as much, because they pay less.

Q. I say would that bring as much money?—A. Yes.

Q. It will bring as much money?—A. Yes.

Q. Will it bring more?—A. Well, I can't tell you exactly, because I would have to figure it out.

Q. Are you under the impression that it would bring as much or more?—A. As much money.

Q. As much money?—A. Yes.

Q. Could the company count that the amount of fictitious surplus—let us call it so for the moment—would be that they have pasteurized a certain amount of milk, put it on wagons for delivery, and what they had to bring back to the plant, would be the discrepancy between the two figures?—A. No, it is not mentioned in that. It is only milk received.

Q. I don't think I am making myself plain.—A. You mean milk the driver returns?

Q. Returns.—A. It is not mentioned in that, because that is only the receiving.

Q. Are the returns from the wagon taken into consideration in your calculations?—A. Yes; it is skimmed and it is used in milk for cream when it is good.

Q. Consequently, taking the real surplus milk as you count it, and the returns from the wagon, from the delivery wagon to the plant, you are taking that into consideration; and this is skimmed, and in your opinion brings as much money to the company as any other milk?—A. Yes, when it is used for sweet cream, when the milk returned is not sour; because when it is sour, it is used for butter.

Q. Is there a great proportion coming back as sour milk?—A. Yes, there is quite a difference. It does not not pay as much.

Q. In your opinion, about what percentage which is brought back from the returns of the delivery wagon is sour?—A. I can't tell you exactly.

Q. You have no idea?

The CHAIRMAN: Would it account for all that surplus, that is what you mean, Mr. Bertrand?

Mr. BERTRAND: I beg your pardon.

The CHAIRMAN: You mean to say would it account for that extra surplus.

The WITNESS: He is speaking about milk returned from the wagon.

Mr. BERTRAND: I am trying to find out if the company could justify this, if the returns from the delivery wagon would make up for the discrepancy.

The CHAIRMAN: Yes, I understand.

Mr. MOORE: You might ask him if he took out one hundred quarts of milk in his wagon, how many would he likely have come back, the average, approximately.

Mr. BERTRAND: Yes.

By Mr. Bertrand:

Q. Do you know about the average of returns that there are from the wagon?—A. No, I don't know.

Q. If you don't know the average of returns, you don't know the average or amount of sour milk that would be returned?—A. No, I don't know exactly; but they take just the ones they need.

Q. They are pretty strict on these orders with delivery men?—A. Yes, because they don't want any returns.

Q. Consequently the quantity would not be so much?—A. Not so much.

By Mr. Pickel:

Q. What is done with the skim milk?—A. Well, they might use the cream for table cream or ice cream.

Q. The skim milk, the separated milk?—A. Well, sometimes they throw it in the sewer; sometimes they sell it to a certain company in Montreal to be used to fatten chickens.

Q. Do they make buttermilk, apart from what they churn?—A. Yes, but no market on that.

Q. That is very small?—A. Yes.

By the Chairman:

Q. Mr. Roberge, you say that a certain amount of this milk was paid for at contract prices, or at least at association prices?—A. Yes.

Q. And how was the milk disposed of that was paid for at contract prices?—A. It is all bottled, pasteurized.

Q. All bottled?—A. All bottled.

Q. Did they have no sale of bulk milk to restaurants or places of that kind?—A. For hospitals, sometimes.

Q. And did they get the same amount of money for milk that was delivered in bulk as they did for milk that was bottled?—A. No, they had special prices for that.

Q. What was the difference; can you tell me that?—A. No, I don't know because I didn't handle the sales.

Q. Would you suggest that there is no chance whatever that the difference in the price of milk sold in that way might account for the difference in surplus?—A. It is pretty hard to say.

Q. There may be a reason for this extra amount of surplus over and above that that was not pasteurized, and the reason might be that they disposed of milk in bulk for which they took a good deal lower prices.—A. When they reduced prices they have to take their profit just the same.

Mr. MCGILLIS: Would not the surplus be sold as fluid milk?

The CHAIRMAN: Oh, yes.

By Mr. Pickel:

Q. You say you were instructed by the superintendent or manager as regards the amount of fictitious surplus?

Mr. BOWMAN: Mr. Chairman, if you will allow me to interrupt—frankly I have been wondering these last few minutes just how far we should press this witness at the present time. I think all the members of the committee appreciate that the charges that are made are most serious; and I think we should be just a little slow at the present time before we know where we are at, in pressing the witness too far. Personally, as a lawyer, I must admit that I don't know just what the practice is before committees of the House, just how far we can protect the witness. This witness might have to have protection in this committee. In all fairness he should have.

Some Hon. MEMBERS: Hear, hear.

Mr. BOWMAN: I would be inclined to say that perhaps the witness might be allowed to appear to-morrow, or whatever day the committee next desires to sit, and in the meantime that we probably find out just where we are at in this matter.

The CHAIRMAN: I don't think, Mr. Bowman, that we could protect the witness against false statements. The fact that he is on oath—

Mr. BOWMAN: I am taking it for granted, Mr. Chairman, that his statements are true. As the Chairman is aware that in the ordinary court of law the witness very often asks for and gets the protection of the court in so far as any statements which he may make are concerned; and as I say, unfortunately I must confess that I am not just sure what the procedure before a committee of the house is. But as I said before, I do think that the committee should protect this witness in so far as we possibly can. The fact is that the statements that he has made clearly indicate that the company that he has named, if we are to believe his statements that are given, have been guilty of a very, very serious practice, a criminal practice, as a matter of fact. I think you, sir, as Chairman of this committee, should notify that company of the very serious statements and charges that have been made; so that they may take, if they so desire, the first opportunity of presenting themselves to the committee possibly, or take such action as they may deem advisable in the circumstances.

The CHAIRMAN: Well, would it not be better to have the committee authorize the clerk to do that, or shall I do it myself?

Mr. WILSON: Would it not be advisable to subpoena that company. Let us get to the bottom of this matter. If this company is doing wrong, they should be punished for it. We should get at the bottom of it. I think we have been dilly-dallying too long.

The CHAIRMAN: If the company is subpoenaed, I think they should have an opportunity to cross examine the witness here, to be perfectly fair to them.

Mr. WILSON: If they were to bring their records, would they not show exactly what he has said, or disprove what he has said? A lot of people have the same suspicion in regard to what has been brought out, and we want to prove it from the company. I think we should take action and subpoena the company here at the earliest opportunity.

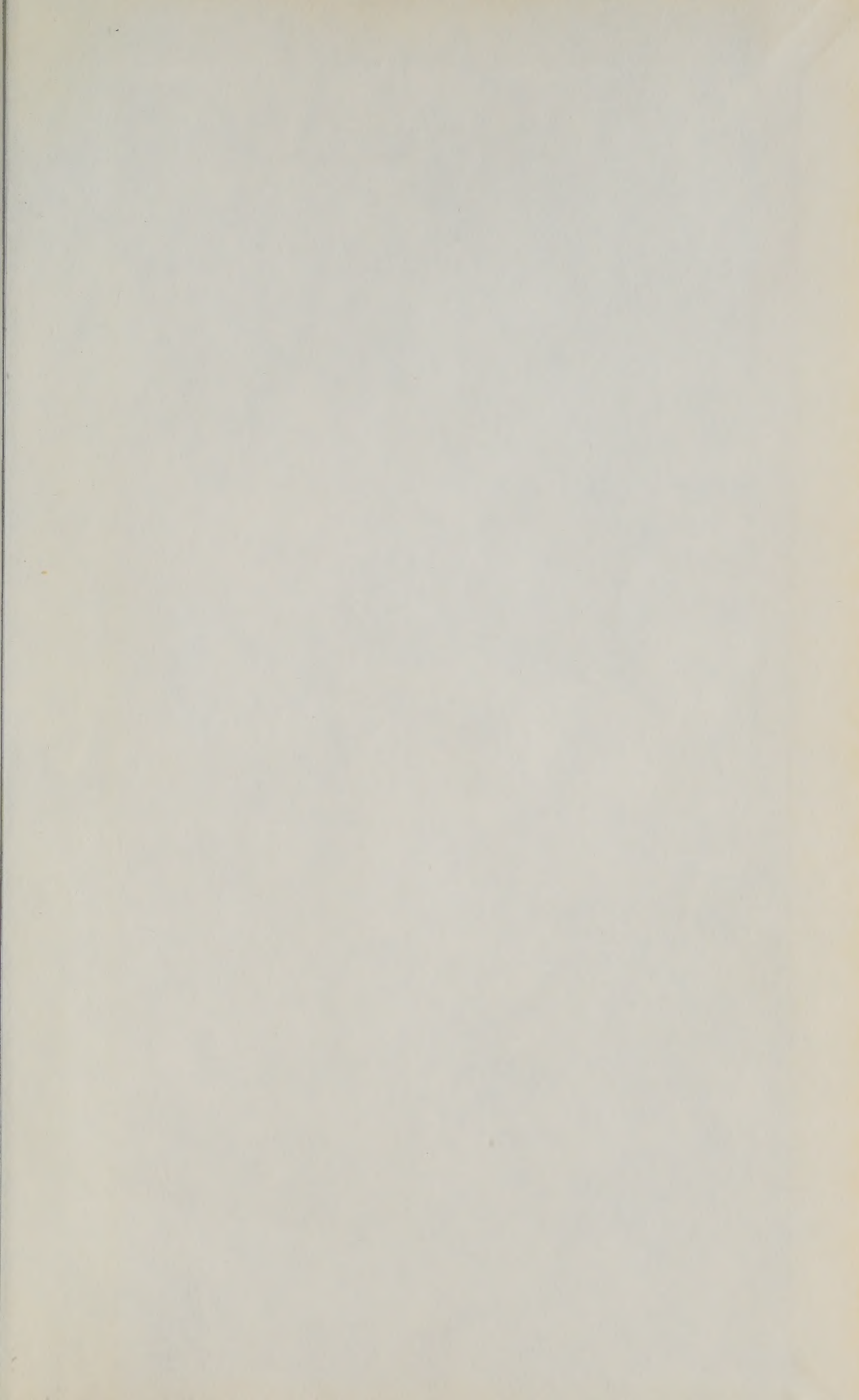
The CHAIRMAN: If that is the wish of the company, all right.

Mr. THOMSON: I would move to have the company subpoenaed and ask it to appear here either to confirm or contradict the statements that have been made. (Carried.)

The CHAIRMAN: We shall meet to-morrow at eleven o'clock. There are other witnesses summoned for to-morrow, and I think we should leave the present witness to finish his evidence on Thursday when the company will be present. Is that satisfactory to the committee?

Committee adjourned at 9.15 o'clock, to meet on Wednesday, April 12, at 11 o'clock a.m.





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